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HIGHWAY REVENUE ACT OF 1959



HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
EIGHTY-SIXTH CONGRESS
FIRST SESSION
ON

H.R. 8678

AN ACT TO AMEND THE FEDERAL-AID HIGHWAY ACTS
OF 1956 AND 1958 TO MAKE CERTAIN ADJUSTMENTS
IN THE FEDERAL-AID HIGHWAY PROGRAM, AND FOR
OTHER PURPOSES

SEPTEMBER 4, 1959

Printed for the use of the Committee on Finance



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HIGHWAY REVENUE ACT OF 1959

FRIDAY, SEPTEMBER 4, 1959

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to call, at 10:10 a.m., in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Frear, Long (Louisiana), Smathers, Anderson, Douglas, Gore, Talmadge, McCarthy, Williams, Carlson, Bennett, Butler, Cotton, and Curtis.

Also present: Hon. Hiram Fong and Hon. Oren Long, U.S. Senators from Hawaii.

Clifton W. Enfield, General Counsel, Bureau of Public Roads.

The CHAIRMAN. The committee will come to order.

We have for consideration title II of H.R. 8678 which I submit for the record.

(The matter referred to is as follows:)

TITLE II OF H.R. 8678

AN ACT To amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes

TITLE II—INTERNAL REVENUE CODE AND HIGHWAY TRUST FUND AMENDMENTS

SEC. 201. TEMPORARY INCREASE IN MOTOR FUEL TAXES, ETC.

(a) GASOLINE.—Section 4081 of the Internal Revenue Code of 1954 (relating to imposition of tax on gasoline) is amended by adding at the end thereof the following new subsection:

“(c) TEMPORARY INCREASE IN TAX.—On and after September 1, 1959, and before July 1, 1961, the tax imposed by this section shall be 4 cents a gallon.”

(b) DIESEL FUEL AND SPECIAL MOTOR FUELS.—

(1) IMPOSITION OF TAX.—Section 4041 of such Code (relating to imposition of tax on diesel fuel and special motor fuels) is amended by adding at the end thereof the following new subsection:

“(f) TEMPORARY INCREASES IN TAX.—On and after September 1, 1959, and before July 1, 1961—

“(1) if (without regard to this subsection) the tax imposed by subsection (a) or (b) is 3 cents a gallon, the tax imposed by such subsection shall be 4 cents a gallon, and

“(2) if (without regard to this subsection) the tax imposed under paragraph (2) of subsection (a) or (b) is 1 cent a gallon, the tax imposed under such paragraph shall be 2 cents a gallon.”

(2) TECHNICAL AMENDMENTS.—The second sentences of subsections (a) and (b) of such section 4041 are each amended by striking out “in lieu of 3 cents a gallon”.

(c) FLOOR STOCKS TAX AND REFUNDS ON GASOLINE.—

(1) TAX.—Section 4226(a) of such Code (relating to floor stocks taxes) is amended by adding at the end thereof the following new paragraph:

“(5) 1959 TAX ON GASOLINE.—On gasoline subject to tax under section 4081 which, on September 1, 1959, is held by a dealer for sale, there is hereby

imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline."

(2) **DATE FOR PAYMENT OF TAX.**—Section 4226 (d) of such Code (relating to due date of taxes) is amended by inserting before the period at the end thereof the following: "; except that the tax imposed by paragraph (5) shall be paid at such time after November 30, 1959, as may be prescribed by the Secretary or his delegate".

(3) **TECHNICAL AMENDMENT.**—Section 4226(c) of such Code (relating to definition of dealer, etc.) is amended by striking out "section 6412(a)(3)" and inserting in lieu thereof "section 6412(a)(4)".

(4) **REFUNDS.**—Section 6412(a) of such Code (relating to floor stocks refunds) is amended by renumbering paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

"(3) **GASOLINE HELD ON JULY 1, 1961.**—Where before July 1, 1951, any gasoline subject to the tax imposed by section 4081 has been sold by the producer or importer and on such date is held by a dealer and is intended for sale, there shall be credited or refunded (without interest) to the producer or importer an amount equal to the difference between the tax paid by such producer or importer on his sale of the gasoline and the amount of tax made applicable to such gasoline on and after July 1, 1961, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1961, based upon a request submitted to the producer or importer before October 1, 1961, by the dealer who held the gasoline in respect of which the credit or refund is claimed, and, on or before November 10, 1961, reimbursement has been made to such dealer by such producer or importer for the tax reduction on such gasoline or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline."

(d) **CREDITS AND REFUNDS.**—

(1) **TAX PAYMENTS CONSIDERED OVERPAYMENTS.**—Section 6416(b)(2) of such Code (relating to special cases in which tax payments are considered overpayments) is amended—

(A) by striking out "at the rate of 3 cents a gallon" each place it appears in subparagraphs (H), (I), and (J) and inserting in lieu thereof "at the rate of 3 cents or 4 cents a gallon";

(B) by striking out "1 cent for each gallon" in subparagraph (H) and inserting in lieu thereof "1 cent (where tax was paid at the 3-cent rate) or 2 cents (where tax was paid at the 4-cent rate) for each gallon"; and

(C) by striking out "at the rate of 1 cent a gallon;" at the end of subparagraphs (I) and (J) and inserting in lieu thereof the following: "at the rate of 1 cent a gallon where tax was paid at the 3-cent rate or at the rate of 2 cents a gallon where tax was paid at the 4-cent rate;".

(2) **GASOLINE USED FOR CERTAIN NONHIGHWAY PURPOSES OR BY LOCAL TRANSIT SYSTEMS.**—Subsections (a) and (b)(1)(A) of section 6421 of such Code (relating to gasoline used for certain nonhighway purposes or by local transit systems) are each amended by striking out "1 cent for each gallon of gasoline so used" and inserting in lieu thereof "1 cent for each gallon of gasoline so used on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon".

(e) **COLLECTION OF GASOLINE TAX AT WHOLESALE DISTRIBUTOR LEVEL.**—

(1) **TREATMENT OF WHOLESALE DISTRIBUTOR AS PRODUCER.**—The first sentence of section 4082(a) of the Internal Revenue Code of 1954 (relating to definition of "producer" for purposes of tax on gasoline) is amended to read as follows: "As used in this subpart, the term 'producer' includes a refiner, compounder, blender, or wholesale distributor, as well as a producer."

(2) **WHOLESALE DISTRIBUTOR DEFINED.**—Section 4082 of such Code is amended by adding at the end thereof the following new subsection:

"(d) **WHOLESALE DISTRIBUTOR.**—As used in subsection (a), the term 'wholesale distributor' includes any person who—

"(1) sells gasoline to producers, to retailers, or to users who purchase in bulk quantities for delivery into bulk storage tanks, and

"(2) is registered and bonded with respect to the tax imposed by section 4081.

Such term does not include any person who (excluding the term 'wholesale distributor' from subsection (a)) is a producer or importer."

(3) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) shall take effect on January 1, 1960.

SEC. 202. TRANSFERS TO HIGHWAY TRUST FUND.

(a) TRANSFER.—Section 209(c) of the Highway Revenue Act of 1956 (relating to transfer to Highway Trust Fund of amounts equivalent to certain taxes) is amended by renumbering paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

"(2) EXCISE TAX ON AUTOMOBILES, PARTS AND ACCESSORIES, ETC.—There is hereby appropriated to the Trust Fund, out of money in the Treasury not otherwise appropriated, amounts equivalent to that portion of the taxes received in the Treasury after June 30, 1961, and before July 1, 1964, under subsection (a)(2) (tax on passenger automobiles, etc.) and (b) (tax on parts and accessories) of section 4061 of the Internal Revenue Code of 1954 which is equal to the amount which would have been so received if the tax rate under each such subsection had been 5 percent in lieu of the applicable rate."

(b) CONFORMING AMENDMENTS.—

(1) CLERICAL AMENDMENT.—Paragraph (4) (as renumbered by subsection (a)) of such section 209(c) is amended by striking out "paragraphs (1) and (2)" each place it appears and inserting in lieu thereof "paragraphs (1), (2), and (3)".

(2) FLOOR STOCKS REFUNDS.—Section 209(f) of the Highway Revenue Act of 1956 (relating to expenditures from Highway Trust Fund) is amended—

(A) by striking out the heading to paragraph (4) and inserting in lieu thereof the following:

"(4) 1972 FLOOR STOCKS REFUNDS.—"; and

(B) by adding at the end thereof the following new paragraph:

"(5) 1961 FLOOR STOCKS REFUNDS ON GASOLINE.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the floor stocks refunds made before July 1, 1962, under section 6412(a)(3)."

The CHAIRMAN. Mr. Bertram Tallamy, Federal Highway Administrator, Bureau of Public Roads, Department of Commerce, will be the first witness.

You may proceed, sir.

STATEMENT OF BERTRAM D. TALLAMY, FEDERAL HIGHWAY ADMINISTRATOR, BUREAU OF PUBLIC ROADS, DEPARTMENT OF COMMERCE

Mr. TALLAMY. Mr. Chairman, and gentlemen of the committee, in your consideration of H.R. 8678, I thought it might be helpful to present briefly the current status of the Federal-aid highway construction program, then its relationship to the highway trust fund and the possible rate of advancement of construction under existing legislation; followed by a review of the program which could go forward under the pending legislation.

Since July 1, 1956, 90,500 miles of highways have been advanced to construction contracts. This total includes 82,000 miles of highways on the so-called ABC systems, and 8,500 miles on the Interstate System.

The total cost of this work, including engineering and right-of-way acquisition, is \$12.4 billion, of which \$8.7 billion represents the Federal share.

During this same 3-year period, 80,900 project miles have been completed, including 4,200 miles on the Interstate System.

The 1956 act contemplated the award of contracts at a rate the trust fund could liquidate without creating a deficit. The 1958 act, however, directed that the program be advanced at a faster rate during the fiscal years 1959 and 1960 than the fund could support with present revenues.

This act, being in part an antirecession measure, directed apportionments for fiscal years 1959 and 1960 which totaled \$1.6 billion more than the trust fund could liquidate. Consequently, under present legislation, a \$500 million deficit would develop in the trust fund in the fiscal year 1960, accumulating to \$1 billion in fiscal 1961 even though no apportionment is made for the advancement of the Interstate System this year for fiscal 1961 and only a maximum of \$500 million next year for fiscal 1962.

As a result of that situation, if no action should be taken by the Congress this year to supplement the trust fund revenue, it will be necessary to halt all further contracts for both ABC and interstate highway construction for a period of about 9 months. And even so, there still would be a deficit of \$150 million at the end of fiscal year 1960.

In contrast to such a drastic cutback in the program, H.R. 8678 would permit continuing advancement of both ABC and interstate highway construction in an orderly manner but with some reduction for the Interstate System compared to the prior fiscal year.

The bill would supplement the trust fund by providing a temporary increase in the Federal motor fuel tax at 1 percent per gallon effective September 1, 1959, through June 30, 1961. It also provides for a transfer to the highway trust fund of half the receipts from the 10 percent excise tax on passenger cars and five-eighths of the 8 percent tax on parts and accessories both effective July 1, 1961, and continuing through June 30, 1964. Of course, the September 1 date for enactment of the motor-fuel tax would have to be altered to a little later date.

Under H.R. 8678 an apportionment of \$1.8 billion could be made this year for fiscal 1961, and \$2 billion could be apportioned next year for fiscal 1962 for the Interstate Highway System. Also, \$925 million could be apportioned this year for the ABC system for fiscal 1961, and a similar amount next year for the fiscal year 1962 if authorized.

It should be pointed out, however, that it will be necessary for the Bureau of Public Roads to exercise control of obligations so that contracts in the current fiscal year and for fiscal 1961 do not exceed the amounts apportioned in those years for both programs.

To summarize, H.R. 8678 would permit the advancement of the ABC program at the authorized rate and allow construction to proceed on the Interstate System at a substantial though reduced rate until calendar year 1961 when Congress will have the opportunity to consider a long-range financing program for completion of the system. At that time a new estimate of cost will be presented to the Congress based upon the preceding 4 years of actual construction cost experience and with much advance detail planning.

Also, there will be presented a fundamental report on direct user and indirect highway benefits based upon 4 years of intense study of these subjects and the results of an extremely important test road

project now being conducted by the joint efforts of the Federal Government, the States, and private industry.

These reports should be of enormous assistance to the Congress in considering at that time the legislation regarding the rate of completion of the Interstate System and continuation of the ABC program.

Mr. Chairman, that is the end of my direct statement.

The CHAIRMAN. The Chair desires to welcome to the committee this morning the attendance of the two Senators from Hawaii, Senator Fong and Senator Long.

Mr. Tallamy, to what extent is the situation now confronting us due to the existence of the——

Mr. TALLAMY. The entire deficit with which we are confronted now and the need for halting contracts unless action is taken at this session of Congress results from the fact that in 1958 we were directed to proceed with apportionments in excess of the amount of the trust fund to liquidate them.

The CHAIRMAN. Does that mean that you made 2 years' apportionment with only 1 year's fund?

Mr. TALLAMY. Not exactly.

The entire State apportionment, for example, for 1959 was increased \$200 million over the previous authorization. The apportionment for 1960 was increased \$300 million over prior authorizations, and the ABC program was increased about \$400 million, and in addition to that, there was a loan provision to the extent of \$115 million, which provision stipulated that the Federal Government could advance to the States the \$115 million loan which subsequently would have to be repaid.

Under the section 209(g), instead of making those apportionments which were directed by the 1958 act, we would only have been able to apportion \$1.6 billion for fiscal 1960 rather than the directed amount of \$2.5 billion, and these other increased amounts.

The CHAIRMAN. Had the amendment not been suspended, this dilemma would not confront us and there would be no occasion now to request 100 percent increase in the gasoline tax.

Mr. TALLAMY. That is correct.

Senator GORE. Mr. Chairman, I know Mr. Tallamy wants to be factual. I am sure he will want to amend that statement, because that is not a factual statement.

Mr. TALLAMY. Maybe I misinterpreted the question.

Senator GORE. It would be only partially true.

Excuse me, Mr. Chairman.

The CHAIRMAN. My question was, and I think you have answered it twice, had the pay-as-you-go amendment not been suspended, this dilemma and crisis in the road program, whatever you may call it, would not now exist.

Mr. TALLAMY. That is correct, as I see it, Mr. Chairman.

The CHAIRMAN. And therefore, if it did not exist, there would be no reason for the pending legislation to increase the gasoline tax by 1 percent.

Mr. TALLAMY. That is as I understand it; that is correct.

The CHAIRMAN. This is resisted all over the country, according to the mail I received.

Mr. TALLAMY. I understand it that way.

The CHAIRMAN. Are there any other questions?

Senator DOUGLAS. Mr. Chairman, are we going around in sequence?

The CHAIRMAN. Senator Kerr.

Senator KERR. That change in the program was directed by the Congress and signed by the President, was it not, Mr. Tallamy?

Mr. TALLAMY. It was.

Senator KERR. And it is just as much the law of the land as the other provisions had been prior to that change by the Congress?

Mr. TALLAMY. That is correct.

The CHAIRMAN. Did the President approve of the suspension of the pay-as-you-go amendment?

Mr. TALLAMY. The President signed the legislation. At the time he signed it, he pointed out that there would be a necessity this year to face up to the problem of securing the additional money that this legislation required.

Senator KERR. He didn't indicate that he thought—is the Government in the position to pay the maturing claims for the next 6 months out of current funds or revenues that are coming in for completed contracts which have been made, authorized, and performed without this legislation?

Mr. TALLAMY. No, sir.

Senator KERR. Does that situation prevail with reference both to the interstate commitments and obligations and the ABC commitments and obligations?

Mr. TALLAMY. Yes, sir.

Senator KERR. Is there a provision in the law as to priority between the apportionments for the ABC system and the Interstate System?

Mr. TALLAMY. Yes, Senator, there is so far as apportionments are concerned. But once a contractual obligation is created, then those contracted are all considered with equal effect.

Senator KERR. But what is the provision under the law with reference to priority for the ABC system?

Mr. TALLAMY. The provision of the law states that the apportionments for the ABC system shall be made first within the limitations, of course, of the ability of the trust fund to liquidate them. But they have the first draw on the trust fund for apportionment.

Senator KERR. So that actually while the present situation is one where there would be maturing claims, unless we provide additional funds or revenues in both programs, it cannot be paid unless additional action is taken by the Congress. It will work out so that as money comes in, outstanding lawful claims will be paid, but after that, and as of now actually, no further apportionments will be paid for the Interstate until the provisions of the law recognizing the priority of the ABC apportionments and therefore its claim on the fund has again been reestablished and effective.

Mr. TALLAMY. That is correct.

Senator KERR. What are the authorized amounts for the ABC system?

Mr. TALLAMY. At the present time the amount authorized for fiscal 1960 is \$925 million. No authorization exists for 19—I am sorry, I should have said for 1961.

Senator KERR. Yes.

Mr. TALLAMY. And no authorization exists for 1962.

Senator KERR. Now, has the 1961 apportionment been made?

Mr. TALLAMY. The 1961 apportionments have not been made.

Senator KERR. Against either fund?

Mr. TALLAMY. Against either fund.

Senator KERR. What was the authorization apportionment for 1960 on the ABC fund?

Mr. TALLAMY. \$900 million.

Senator KERR. Now, the bill before us would make an additional 1-cent levy on gasoline sales effective, I believe actually in the bill, September 1, but for all intents and purposes, what date does the bill carry for the transfer of the excise taxes?

Mr. TALLAMY. July 1, 1961, calendar year.

Senator KERR. Does that mean that there would be none of the excise taxes referred to in the bill transferred to the Trust Fund for another 2 years from now?

Mr. TALLAMY. That is correct.

Senator KERR. So that the moneys in the fund would not be augmented under this bill in any amount except the 1 penny on gasoline for the next 2 years?

Mr. TALLAMY. That's correct.

Senator KERR. Is there a study now being made by anyone that you know of for new sources of revenue to finance the trust fund under existing law?

Mr. TALLAMY. Yes; in a way. The Department of Commerce has been conducting since 1956 and will have ready for presentation to the Congress in January of 1961—

Senator KERR. 1961?

Mr. TALLAMY. 1961, calendar 1961, the results of an intense study on the direct highway user benefits, and also of the indirect benefits of the highway system, and this study is not only predicated upon existing information, but is also dependent and predicated upon the results of a test road which is now under construction and under operation in Illinois, and for which the Federal Government and the State governments and private industry are cooperating, and that test will give us a wealth of information to determine the direct user benefits of the highway system as they relate to commercial use and passenger car use.

Senator KERR. Is it your understanding of that directive that the Commerce Department will come forward to the Congress with recommendations, with data and information as to the benefits and also recommendations as to what additional taxes would be the most equitable source of revenue for the trust fund for the future?

Mr. TALLAMY. I can't answer that, Senator.

I know the law requires them to submit the factual information which will present the basis for consideration of the equitableness of various types of taxes, but it does not require—

Senator KERR. Is the study limited to the justification for existing taxes or is the directive broad enough to have them bring here facts with reference to other possible taxes?

Mr. TALLAMY. It is broad enough so that the facts will be there for consideration of other types of taxes.

Senator KERR. And will your report consist only of data and detailed fact, or will conclusions be attempted to be drawn in the form of recommendations?

Mr. TALLAMY. I'm sure that conclusions will be drawn so far as the facts are concerned, but I couldn't say, I don't know about

recommendations as to further taxes. I have no further information on that.

Senator KERR. The direction for legislation is silent in that regard?

Mr. TALLAMY. That's correct.

Senator KERR. Thank you very much, Mr. Tallamy.

Senator BYRD. The Chair will recognize Senator Butler who must go to the floor.

Senator BUTLER. I thank you, Mr. Chairman and members of the committee.

There is a live quorum call, and then they are going to immediately take up the extension of Public Law 480 and I must go to the floor. I have been requested by the two Senators from Hawaii to bring to the attention of Mr. Tallamy a letter that they have addressed to the chairman of this committee and the members of this committee which, Mr. Chairman, I would like to offer for the purposes of the record, and then direct two questions to Mr. Tallamy.

(The letter referred to follows:)

MEMORANDUM

SEPTEMBER 4, 1959.

To: Chairman and members, Senate Finance Committee.

From: Senators Hiram L. Fong and Oren E. Long.

Re the Federal-aid highway program and Hawaii.

The Federal-Aid Highway Acts of 1944 and 1956 provided for the construction of a national system of highways within the continental United States limited as to total mileage. For all practical purposes, the entire authorized mileage of the Interstate System now has been used. Since the enactment of the 1944 and 1956 acts, and since the designation of routes on the Interstate System, Hawaii has become a State.

Prior to Hawaii's admission to the Union, the inequity of Hawaii's citizens paying tax dollars from which no return was received by way of a highway program, was recognized. Legislation was introduced in the 84th Congress which provided for a separate defense highway system for Hawaii.

Later, a concrete proposal for the development of a highway system was developed by Territorial officials and presented to a subcommittee of the House Public Works Committee which visited Hawaii late in 1957. Gov. William F. Quinn has submitted a draft of that proposal to the Bureau of Public Roads and the Departments of Interior and Defense.

At the present time, the Federal Government is contributing 90 percent of the cost of constructing an Interstate System, no part of which is located in Hawaii. Federal aid to highways in Hawaii is limited to the Federal-aid primary and secondary systems, including their extensions in urban areas (ordinarily referred to as the ABC program). It has been estimated that the total amount of Federal-aid highway funds to be apportioned to Hawaii for the ABC program for fiscal year 1961 will be \$4.3 million. The difference between this amount and the amounts it is estimated will be apportioned to other comparable States is revealing, as shown by table C which appears on page 4 of House Report No. 1120, the report of the House Committee on Public Works which accompanies H.R. 8678.

The State of Hawaii should be given the same treatment as all other States. The importance of adequate highways to the economy and to the national defense is no less in Hawaii than any other State. In fact, it is greater, as Hawaii is one of our greatest bastions of defense. This equal treatment can be afforded in either of two ways:

1. Amendment of the existing law to provide for the designation in Hawaii of routes on the National System of Interstate and Defense Highways.

2. Designation of a separate system of highways for Hawaii with the Federal Government contributing 90 percent of the cost of constructing the system as is done in the case of the Interstate System within the continental limits of the United States.

While the interstate program is presently facing serious financial difficulties, the program is well underway on a nationwide basis. It is urged that the State of Hawaii should join the accelerated highway construction program immediately.

Legislation to provide at least a temporary solution to the financial difficulties of the Federal-aid highway program is or soon will be before the Senate Finance Committee for consideration. It is respectfully recommended that provisions extending equitable treatment to Hawaii be added to the pending legislation.

HIRAM L. FONG, *U.S. Senator.*

OREN E. LONG, *U.S. Senator.*

Senator BUTLER. Have you any plans in the Department of Public Roads to ask for an amendment that would bring Hawaii into the Interstate System or to suggest that they have a system of their own with the same 90-10 matching ratio?

Mr. TALLAMY. We have nothing definite at the moment, but a number of studies have been underway in connection with the highway system in Hawaii, and consideration has been given in connection with that study to the defense needs of Hawaii, not the Interstate System as such.

Senator BUTLER. I bring this question up at this time because I believe this is the only time that you will appear in a public hearing in connection with this matter before the close of the session, and you can understand the natural desire of the two Senators from Hawaii to have some information on the subject.

Mr. TALLAMY. Yes, sir.

Senator BUTLER. We are about to levy a tax of 1 cent a gallon that will be paid by the people of Hawaii along with all other citizens of the United States, and they have no part whatever in the program.

I wanted the committee to be cognizant of that fact. I wanted to be sure that the Department was giving some thought to a highway system separate from the Interstate System to apply to Hawaii, or that they would be allocated mileage in the Interstate System.

Mr. TALLAMY. Yes, sir.

Senator BUTLER. And that is being—

Mr. TALLAMY. We have conducted studies of that situation in the past year, and no doubt they will be continued now that Hawaii is a State.

Senator BUTLER. And the Department will make definite recommendations to this committee in connection with that study.

Mr. TALLAMY. I can't answer that. That would have to—I report to the Secretary of Commerce and he, of course, will have to determine in the light of that report as to whether he would care to make a recommendation or not.

Senator BUTLER. And that would be the proper time I assume for the Senators from Hawaii to further advance this subject.

Mr. TALLAMY. That's correct.

Senator BUTLER. I thank you, Mr. Chairman.

Senator BYRD. Senator Frear?

Senator FREAR. Might I pass?

Senator BYRD. Senator Williams?

Senator WILLIAMS. No questions.

Senator BYRD. Senator Smathers?

Senator Bennett?

Senator Douglas?

Senator DOUGLAS. Mr. Tallamy, what was the annual rate of expenditure on the Interstate System prior to the acceleration bill of 1958?

Mr. TALLAMY. It was a variable rate. I will give you just a very few figures. In 1957, we spent \$208 million.

Senator DOUGLAS. You were just getting underway then?

Mr. TALLAMY. Just getting underway, and I am speaking of fiscal years. The 1958 fiscal year, that increased to \$675 million. In fiscal 1959 to \$1,501 million.

Senator DOUGLAS. Would that be about the normal rate of expenditure that was contemplated under the 1956 act?

Mr. TALLAMY. Oh, no. It was still increased further than that. In 1960—

Senator DOUGLAS. No, no, then we had the 1958 act. What I'm trying to get at is at about what rate of expenditure did the 1956 act contemplate?

Mr. TALLAMY. Yes. Well, it would go up to about \$2.2 billion ultimately.

Senator DOUGLAS. When?

Mr. TALLAMY. And it would reach there in about 1961 or 1962.

Senator DOUGLAS. \$2.2 billion. Now the 1958 act speeded this up, accelerated it, did it not, because of the recession?

Mr. TALLAMY. Yes, it did.

Senator DOUGLAS. By how much?

Mr. TALLAMY. By a total of \$1.1 billion.

Senator DOUGLAS. Or 50 percent roughly.

Mr. TALLAMY. Yes.

Senator KERR. That is not annually.

Mr. TALLAMY. No, the total.

Senator DOUGLAS. What would be the annual rate of increase?

Mr. TALLAMY. It increased the rate for fiscal 1959 authorization by \$200 million, and it increased the rate over what the section 209(g) would permit for fiscal 1960 by \$900 million.

Senator DOUGLAS. Then that is roughly a 40 percent increase in the rate of expenditure or authorization?

Mr. TALLAMY. Yes, in that one year.

Senator DOUGLAS. They may not be synonymous of course.

Now may I ask this question. Was the system financially in balance prior to 1958? Would it have been financially in balance?

Mr. TALLAMY. It would have had to have been financially in balance.

Senator DOUGLAS. I understand, but I mean would your receipts have been sufficient to meet the \$2.2 billion of expenditures?

Mr. TALLAMY. No, sir. We would have had to cut down the amount of apportionments that we made to the States.

Senator DOUGLAS. What was the annual rate of receipts under the taxes levied in the 1956 act?

Mr. TALLAMY. About \$2 billion a year.

Senator DOUGLAS. So that the surpluses which you had accumulated in the earlier years would have carried you for some years over into the future and you would have had an approximate balance.

Mr. TALLAMY. Exactly.

Senator DOUGLAS. But then this \$900 million increase or 40 percent increase has thrown you out of balance?

Mr. TALLAMY. That's right.

Senator DOUGLAS. Or will throw you out of balance?

Mr. TALLAMY. That's right.

Senator DOUGLAS. Now this is the problem that puzzles me.

If the previous receipts financed roughly 100 percent of the program, why is it that when you increase your rate of expenditures only to 140 percent that you say that continuation of the present system will, as on page 2 I think you say—it will be necessary to halt all further contracts for both ABC and interstate highway construction for a period of about 9 months. I can see how you would taper off, but I have been puzzled by this claim that it means complete cessation.

Mr. TALLAMY. The reason for it is that the expenditures which result from contracts entered into last year and in previous years are coming due this year, at such a rate that the balance that presently exists in the trust fund will be used up, and that a deficit will result during the course of the year.

Senator DOUGLAS. Is this caused by the fact that the mileage cost of construction is greater than you originally believed it to be?

Mr. TALLAMY. No, sir; it has no relation.

Senator DOUGLAS. What I can't understand is how, if you had receipts say equivalent to a ratio of expenditure of \$2.2 billion, then if you increase them to \$3.1 billion that you have to stop the whole \$3.1 billion. Why can't you stop the \$900 million but continue with the previous base of \$2.2 billion?

Mr. TALLAMY. I think possibly I should bring out, in order to clarify your problem, that under the existing legislation, the 1956 legislation, we would not have been able to apportion the \$2.2 billion which was authorized for fiscal 1960. We could only have been able to apportion \$1.6 billion without overdrawing the trust fund.

Senator DOUGLAS. Why is that?

Mr. TALLAMY. Because the trust fund would not have supported the full authorized amount of \$2.2 billion, not authorized by the 1956 act.

Senator DOUGLAS. Then instead of cutting everything completely off, why couldn't you go from \$3.1 billion to \$1.6 billion and go at half speed, which incidentally would be 80 percent roughly of the speed that you contemplated prior to the recession?

Mr. TALLAMY. Senator, we could have done that, but the 1958 act directed us to apportion the full amount authorized.

Senator DOUGLAS. Can't you direct the States to cut down on their rates of expenditure?

Mr. TALLAMY. Well, I could have then, but I can't now because they have already entered into these contracts. There are actual contracts with contractors, and the resulting construction is being undertaken, and the States are building and will be building.

Senator DOUGLAS. That is a very real problem there.

I have always believed in a period of recession one should accelerate construction of public works, and highways and housing I think are two of the best ways of doing this. But I also believe that in a period of prosperity that one should dampen down the rate of expenditure.

Why are we committed to an accelerated program designed for recession when those conditions no longer exist? Has this program got out of hand, so to speak?

Mr. TALLAMY. No, no.

Senator DOUGLAS. Are we running downhill with a loaded sled behind us and we can't stop without being knocked down?

Mr. TALLAMY. I don't think so, Senator. Let's look at it this way. We were in what appeared to be a developing recession in 1958, and the Congress passed legislation telling us, for instance, to put \$400 million worth of highway work under the contract, to do so by December 1 of that year.

Senator DOUGLAS. And the administration approved that?

Mr. TALLAMY. Yes, and we did it. Now those contracts, sir, are finishing and we have to pay them. Now if the recession had extended into this year, it would have been in conformance with the expenditure.

Senator DOUGLAS. Can you submit tables on all of these matters?

Mr. TALLAMY. Yes, sir.

Senator DOUGLAS. Because it is very puzzling, very puzzling.

Mr. TALLAMY. It is complicated. I will be very happy to.

(The table referred to follows:)

Effect of 1958 act on Federal-aid highway expenditures

[Millions of dollars]

	Expenditures during fiscal year—				Total
	1957	1958	1959	1960	
Regular ABC program.....	0.7	0.8	0.9	0.8	3.2
Interstate under sec. 209(g) per 1956 act.....	.2	.7	1.4	1.7	4.0
Subtotal.....	.9	1.5	2.3	2.5	7.2
1958 act increases, with suspension of sec. 209(g):					
ABC special funds (sec. 2(a) of 1958 act).....			.2	.2	.4
ABC repayable advances (sec. 2(e) of 1958 act).....				.1	.1
Interstate.....			.1	.3	.4
Subtotal, 1958 act increases.....			.3	.6	.9
Total expenditures under 1956 and 1958 acts.....	.9	1.5	2.6	3.1	8.1

Senator DOUGLAS. As to why you have got to call off these contracts unless you get further taxes. It seems to me that the prior taxes would enable at least a very large portion of the accelerated program to be carried out.

Do you frankly think that you should carry out an accelerated program in a period of—I hesitate as to what to call this; it is not a recession—in a period of relative prosperity, even though there is high unemployment?

It is a curious situation.

Mr. TALLAMY. Senator, this isn't an accelerated program; this is a cut program.

This would be a cut program because the present authorization is for \$2.5 billion for fiscal 1961.

Senator DOUGLAS. Does this mean you can speed up this program?

Mr. TALLAMY. No.

Senator DOUGLAS. But you never can slow it down?

Mr. TALLAMY. No. Actually this legislation you are considering will reduce the work from the authorized—the contemplated rate of \$2.5 billion to \$1.8 billion. This legislation actually cuts the 1958 act from \$2.5 to \$1.8 billion for fiscal 1961.

Senator DOUGLAS. That would be an advantage, if any tax is levied, that it should be a short-run tax.

Mr. TALLAMY. And that is what this proposes.

Senator DOUGLAS. You are not insisting on a 3-year tax?

Mr. TALLAMY. It is a 22-month tax.

Senator DOUGLAS. No, no; but I mean, originally, I think, you asked for 3 years.

Mr. TALLAMY. The reason for it——

Senator DOUGLAS. Didn't you originally ask for an increase of 1.5 cents per gallon for 3 years?

Mr. TALLAMY. For 5 years.

Senator DOUGLAS. For 5 years?

Mr. TALLAMY. And the reason for that is that in order to make apportionments even for the \$1.8 billion and the \$2 billion for next year, we would have to certify that there will be enough money in the trust fund 3 and 4 years from now to pay the bills when they come due, and therefore the recommendation for a tax for that period.

But this covers the situation by giving immediate revenue and by the——

Senator DOUGLAS. You are not contending now for 5 years?

Mr. TALLAMY. No. Well, the administration's position is that they would prefer that, but would hope and recognize that this bill is a bill which will enable us to go forward with the program, and in 1961 the administration, I think would hope that the long-range financing plan would make it unnecessary to divert funds from the general revenue.

Senator DOUGLAS. So you are for continuing this accelerated program even in a period of financial prosperity.

Mr. TALLAMY. I am definitely of the opinion we should continue this program.

Senator DOUGLAS. At the accelerated rate of 1956?

Mr. TALLAMY. No; at the rate that is established in the legislation. I personally think we should, because the traffic increases are terrific. Between now and 1975 when this system will be completed we are going to kill 700,000 people on our highways in the United States and it is getting worse every day, and we can cut that drastically by the development of this system.

And some 25 million people will be injured, and we have got to recognize this situation and develop the highways. Therefore I think that we should proceed at the authorized rate and not look upon it as a depression or recession versus prosperity type of thing.

I think we ought to look at it as something that is as absolutely necessary for the economy and the welfare of the United States.

Senator DOUGLAS. How much will a one-half-cent increase yield?

Mr. TALLAMY. One-half cent?

Senator DOUGLAS. One-half cent.

Mr. TALLAMY. One-half cent will help, but it will not do very much for continuing the program. We would have to have an actual halting of contracts for a period of 4 months this year.

Senator DOUGLAS. How much would one-half cent bring in?

Mr. TALLAMY. Oh, in revenue? It would bring in \$191 million for fiscal 1960 and \$289 million for 1961.

Senator DOUGLAS. In other words, about 1 cent would yield about \$600 million.

Mr. TALLAMY. Yes.

Senator DOUGLAS. You already have a 3-cent tax; do you not?

Mr. TALLAMY. Yes.

Senator DOUGLAS. So that is \$1.8 billion, and you say expenses would be tapered down to \$1.8 billion. Why aren't you in balance then?

Mr. TALLAMY. We mustn't lose sight of the fact that the ABC program, that \$900 million program, also has to be paid out of this general fund, and that is a big drain on it.

Senator DOUGLAS. One other question. Are you satisfied with this 90 percent-10 percent formula?

Mr. TALLAMY. I think personally that the States are having a difficult time to go ahead with their regular highway program on which the Federal Government contributes nothing, and on the ABC program.

Senator DOUGLAS. The Federal Government contributes 50 percent.

Mr. TALLAMY. Oh, yes; but the States are responsible for thousands of miles of highways which are not on any Federal aid system, and they have that 100 percent cost.

Senator DOUGLAS. I understand.

Mr. TALLAMY. So the States are having difficulty in financing their own program, the 50-percent program, and to increase the interstate program responsibility.

Senator DOUGLAS. Who exercises control over the Interstate System?

Mr. TALLAMY. We do. We will and will always have to.

Senator DOUGLAS. Don't the States lay out the routes subject to your approval?

Mr. TALLAMY. Yes, sir.

Senator DOUGLAS. Who lets the contracts?

Mr. TALLAMY. They do but subject to our approval.

Senator DOUGLAS. Did you approve the Indiana contracts?

Mr. TALLAMY. We approved the interstate contracts.

Senator DOUGLAS. The right-of-way contracts?

Mr. TALLAMY. Yes.

Senator DOUGLAS. Have you done that in Illinois?

Mr. TALLAMY. Yes; we will.

Senator DOUGLAS. Isn't it pretty easy, subject only to general control, if the States only have to put up 10 percent of the money and the Government puts up 90 percent, for them not to be very careful in the original letting of the contracts?

Mr. TALLAMY. I don't think so. We review very carefully the location of a highway. We review, before we approve these, these are the various steps we approve. We approve the location of the highway after public hearings, after presentation of detailed information to us by the State. Then we authorize the procedure of the development of detailed plans. Those detailed plans themselves are very carefully reviewed by our engineers.

Then we authorize the State at their request to advertise for bids. Before the contract can be awarded we review all of the bids that have been submitted to see that the unit prices are correct and then we authorize the State to award the contract. Then we also inspect the construction.

Senator DOUGLAS. May I say I think I was one of the earliest advocates of the system of Federal aid. I remember 40 years ago, when I was younger than I am now, I wrote some articles on the incipient

system of Federal aid. The criticism which was then advanced against the system was that if the State only put up \$1 for every Federal dollar, they would not be particularly careful about expenditures. I thought that the 50-percent State contribution would be a stabilizing force. I never dreamed we would get into a system where it would be 9 to 10, and where 1 State dollar would unlock 9 Federal dollars.

I am surprised if I may say so to find an administration which presumably is committed to local responsibility defending a 90-10 system. It seems to me it is a top-heavy system. How would you stand on changing the formula to 70 to 30 or 2 to 1?

Mr. TALLAMY. Of course, the administration has no position, at least—

Senator DOUGLAS. You would not oppose it?

Mr. TALLAMY. I don't know of any position the administration has on that in one way or another.

Senator DOUGLAS. Could that be done on this bill?

Mr. TALLAMY. I think personally that it should not be done. That is my personal opinion.

Senator DOUGLAS. Could it be done on this bill?

Mr. TALLAMY. Could it be?

Senator DOUGLAS. Yes.

Mr. TALLAMY. I don't know. You would have to ask someone else. I don't know.

Senator DOUGLAS. I don't mean whether politically it could be done, but procedurally could it be done?

Mr. TALLAMY. I would think that a matter of that nature would have to originate in the Public Works Committees.

Senator DOUGLAS. Could it be done on the floor?

Mr. TALLAMY. I don't know. I haven't been down here long enough to know.

Senator DOUGLAS. We might go into that question and not assume a purely negative attitude in advance.

One final question, this matter of taking care of Hawaii. What about the 49th State as well as the 50th State, Alaska?

Have you any plans to include Alaska?

Mr. TALLAMY. I didn't say that we had plans to include Hawaii in the Interstate System. I said that we were studying the whole matter, the whole Hawaii problem.

Senator DOUGLAS. Is this intended as a substitute for roads, a study as a substitute for construction?

Mr. TALLAMY. No.

Senator DOUGLAS. It is a very unsatisfactory substitute. You can't drive automobiles or trucks over studies. You have to drive them over roads.

Mr. TALLAMY. You are right, sir, but we have to have a study before we can decide whether we should build roads.

Senator DOUGLAS. Now we know of course that Alaska and Hawaii are detached States. They are not physically contiguous to other States but should this prevent their participation in the Interstate System?

Mr. TALLAMY. Alaska, Senator, their portion of the highway work has gone up from as I recall it somewhere around \$13 million to over \$30 million.

Senator DOUGLAS. This is Alaska?

Mr. TALLAMY. Yes; since it became a State. They have had a tremendous increase in available funds.

Senator DOUGLAS. I am asking you a technical question. Could Alaska and Hawaii, which are not physically contiguous to other States, be included in the Interstate System?

Mr. TALLAMY. I would not think so.

Senator DOUGLAS. Or are they debarred by the very fact of non-contiguity?

Mr. TALLAMY. I would think they would be from the Interstate System as such.

Senator DOUGLAS. Would they have to fall back on the 50-50 system?

Mr. TALLAMY. That is why in answer to the question that was asked of me before, I said we were studying the matter of defense highways.

Senator DOUGLAS. I see. Then the Federal Government would bear 100 percent of the cost?

Mr. TALLAMY. I don't know.

Senator DOUGLAS. What?

Mr. TALLAMY. I don't know, sir.

Senator DOUGLAS. Isn't that what happens in defense highways? The Federal Government bears 100 percent of the cost?

Mr. TALLAMY. I wasn't thinking of this in those terms.

Senator DOUGLAS. No?

Mr. TALLAMY. No, sir.

Senator DOUGLAS. What terms were you thinking of it?

Mr. TALLAMY. I was thinking of it as a different type of defense highway than the defense access highway that you are speaking of.

You are speaking of the defense access highways, and on those we do pay 100 percent of them, but I was thinking of a highway system which might be necessary for combined purposes, general highway use and defense as well.

Senator DOUGLAS. You think they are definitely outside of the Interstate System?

Mr. TALLAMY. I think so.

Senator DOUGLAS. They will either have to go in the 50-50 system, you call it the ABC system, started by Congressman Shackelford in 1916, I think, or under defense highways.

Mr. TALLAMY. Under existing legislation that's true.

Senator DOUGLAS. Could you tie the Alaskan highways onto the Alcan Highway?

Mr. TALLAMY. Well, the existing legislation requires a continuous and coordinated and integrated system, and I doubt that the interpretation of that could be broad enough to include a highway in a foreign country like Canada or another country.

Senator DOUGLAS. I grant that, but a highway to the 49th State which connects with the Alcan Highway which in turn connects with the American system of highways—

Mr. TALLAMY. I think it would require an adjustment in our legislation.

Senator DOUGLAS. Mr. Chairman, I'm sorry to have taken so much time but this is a very perplexing problem.

Senator BYRD. I would like to ask you, Mr. Tallamy, what is the method of allocating to both Alaska and Hawaii from those funds?

Mr. TALLAMY. The method of allocating money to Alaska and Hawaii will be the same as it is for any other State now that it has become a State, and it depends upon the area, the population and the road miles.

Senator BYRD. It is only for the ABC system.

Mr. TALLAMY. Yes.

Senator BYRD. They will receive no interstate funds?

Mr. TALLAMY. No, sir.

Senator BYRD. I have figures you presented to the House Committee showing that in 1962 under the present legislation there will be an expenditure of \$1,160 million. Under the House bill that is reduced to \$897 million. In 1963 if no action is taken now by Congress, under present law \$1,106 million will be expended and under the House bill \$911 million would be expended.

Mr. TALLAMY. Yes, sir.

Senator BYRD. Why is that reduction under the two bills on the ABC system?

Mr. TALLAMY. Will you tell me what the figure was again for the 1962 year?

Senator BYRD. I hand you this table.

(The table is as follows:)

Highway trust fund expenditures, fiscal years 1957-72

[In millions]

Fiscal year	ABC program		Interstate system		Total	
	With no action by Congress at this time	Under H.R. 8678	With no action by Congress at this time	Under H.R. 8678	With no action by Congress at this time	Under H.R. 8678
1957.....	\$758	\$758	\$208	\$208	\$966	\$966
1958.....	836	836	675	675	1,511	1,511
1959.....	1,112	1,112	1,501	1,501	2,613	2,613
1960.....	1,002	1,110	1,791	2,025	2,793	3,135
1961.....	560	910	1,487	1,755	2,047	2,665
1962.....	1,160	897	1,120	2,000	2,280	2,897
1963.....	1,106	911	1,226	2,000	2,332	2,911
1964.....	936	936	1,456	2,200	2,392	3,136
1965.....	936	936	1,519	1,575	2,455	2,511
1966.....	936	936	1,584	1,600	2,520	2,536
1967.....	935	935	1,651	1,650	2,586	2,585
1968.....	935	935	1,722	1,725	2,657	2,660
1969.....	935	935	1,793	1,775	2,728	2,710
1970.....	935	935	1,864	1,875	2,799	2,810
1971.....	935	935	1,938	1,925	2,873	2,860
1972.....	935	935	2,016	2,584	2,951	3,519

Source: Present law figures from table submitted to Ways and Means Committee by Mr. B. D. Tallamy, Federal Highway Administrator, July 22, 1959; figures under House bill 1957-64 from Bureau of Public Roads, Sept. 2, 1959, and 1965-72 from House Report on H.R. 8678, Sept. 1, 1959.

Senator BYRD. Senator Douglas, will you act as chairman for a few minutes?

Senator GORE. Mr. Chairman, the Senate has just recessed until 1 o'clock.

Senator ANDERSON. Go right ahead, Mr. Tallamy.

Mr. TALLAMY. Mr. Chairman, in answer to the question, the result of a moratorium on any contracts in fiscal 1959 results in an increase in expenditures in later years when you begin to pick up the authorizations which can be deferred in this fiscal year.

Senator KERR. Are there further questions?

Senator CURTIS. Mr. Chairman.

Senator KERR. The Senator from Nebraska.

Senator CURTIS. Mr. Tallamy, I have a problem that isn't covered in your statement, and it has to do with the treatment of individual States under the interstate highway program.

Now, as I recall the original act was passed in 1956. Then in 1958 a new act was passed accelerating the program, waiving the pay-as-you-go Byrd amendment for awhile.

Now we are in difficulties because that period has run out and the waiver period has ended.

Why is it that the State that proceeded conservatively and never exceeded a rate of construction or planning beyond what would come within the purview of the 1956 act, why are they short of Federal funds? Is it an absolute requirement of Federal law, or is it because of the practices and the way you feel you have to administer them?

Mr. TALLAMY. The first part——

Senator ANDERSON. A difficult question to answer.

Mr. TALLAMY. This acceleration that was directed required that \$400, really \$515 million be placed under contract by December 1 of last year.

Senator KERR. That was not in the interstate program.

Mr. TALLAMY. No. But it all comes out of the trust fund——

Senator KERR. The same money.

Mr. TALLAMY. And every State in the United States met that responsibility. It so happens that our deficit——

Senator CURTIS. Not in expenditure.

Mr. TALLAMY. In award of contracts.

Senator CURTIS. In award of contracts?

Mr. TALLAMY. Yes, sir, and of course, the law also said that those contracts had to be finished by December 1 of this year, and they are going to be, so that every State got its fair share of that program.

It all comes out of the trust fund, and the amounts actually in dollars to the deficit which is created this year.

Senator KERR. Will the Senator yield?

Senator CURTIS. Yes.

Senator KERR. Isn't it a fact that when the Department makes its apportionment, it makes it to all of the States for the entire amount for the fiscal year or years for which the apportionment is made?

Mr. TALLAMY. That is correct.

Senator KERR. And the State takes it up as rapidly as in its own judgment or operation it is worked out to do so?

Mr. TALLAMY. That is right.

Senator KERR. Now, being directed to operate on the basis of making the full apportionment, and having done so with all of the States, and then finding out in the middle of the year you didn't have enough money to meet it all, it naturally came about that the States that had been slow in making the apportionment might be further behind at the time of crisis than some other States that had expedited the obligating of the funds.

Mr. TALLAMY. That is right.

Senator KERR. Now, it is a fact, isn't it, that some States go out of the fiscal year without having obligated all of the apportionment given?

Mr. TALLAMY. That is right.

Senator KERR. It is a fact, isn't it, that many States end up the fiscal year with a period of time yet remaining to them to obligate their apportionment, and that is a matter that is entirely up to the States, but since you are operating on an unlimited apportionment up to the amount of the authorization, but a limited revenue with reference to paying for the apportionments, it is entirely up to the States as to which one gets in before the exhaustion of the amount of money you have got which is too small to honor all of the apportionments, if all of them are obligated?

Mr. TALLAMY. That certainly is correct on the situation up until now. But I do believe that from here on in, with 209(g) in effect, we will have to apportion—not apportion—but control contracts so that a particular State which may be in a position to go ahead very rapidly in the first few months as compared to another State which cannot will have to control the rate of award of contracts so that every State will have an opportunity during that course of that year to award contracts to the amount which has been authorized for that particular year.

Senator CURTIS. Now, Mr. Tallamy, right on that point, I think we are in trouble, because of acceleration. Well, that is water over the dam. I voted against it. I think it was bad legislation to waive the Byrd amendment.

But what I want to know about the future, suppose a State chose in the interest of conserving their own funds, and in the interest of getting the best contracts, and in the interest of avoiding the waste from rushing, suppose they chose to operate at a slower pace. Are their Federal funds going to be consumed because some other States just rush and get there first and take it all?

Mr. TALLAMY. No.

Senator CURTIS. So in the future that will not be a problem as it is now?

Mr. TALLAMY. No, not under contract control, and it wasn't a problem before.

Senator CURTIS. It is a problem now, isn't it?

Mr. TALLAMY. It became a problem as a result of the fact that last year we had to go ahead with a larger program than the trust fund would support. Now in the future we will have to control contracts to the extent that the trust fund can support. And in the control of the contracts, we will apportion to each State the number of contracts that it can enter into in that particular year and they can enter into that year or they can enter into the next year.

Senator CURTIS. So if one State rushes, they cannot jeopardize the Federal funds that are intended for another State?

Mr. TALLAMY. No.

Senator CURTIS. But it did work out that way at the present time, didn't it?

Mr. TALLAMY. It worked out that——

Senator CURTIS. I don't say that it was intended or planned, but it actually worked out that way, didn't it?

Mr. TALLAMY. In a way it did.

Senator CURTIS. Well, now, for instance, Nebraska's rate of construction hasn't caused any deficit, and yet we are in trouble along with the rest of the Nation.

Mr. TALLAMY. It worked out that way to this extent: that if a State did not obligate by contract all of the amount that had been apportioned to the State, whereas another State had completely obligated it, the new contract controls within the life, within the ability of the trust fund to liquidate, will be apportioned to the various States, and it will in effect freeze the present position of all of the States, but it will not discriminate against any particular State so far as future contract control.

Senator CURTIS. So in the future your contract control is going to protect the State that is conservative in their spending from the rapid spending of a sister State.

Mr. TALLAMY. It will protect them; yes.

Senator CURTIS. Now, is that a policy change, or is there something in the law that brings that about, or both?

Mr. TALLAMY. It is no change so far as what the 1956 act would have brought about.

Senator CURTIS. Yes.

Mr. TALLAMY. But since the 1958 act, through a new factor in it because of the recession, it did result in some States, now that we go back to 209(g), that some States will not be able to pick up immediately at least what they had not placed under contract as a result of previous apportionments.

Senator CURTIS. I appreciate very much getting that information. I, for one, do not adhere to the philosophy of the accelerated program that was put in. It means the taxpayers get less roads per dollar; it means it goes at such a rapid rate that when it stops we have an unemployment problem, and I don't think pump priming ever works and I am happy for this new contract control plan that you describe.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Tallamy, the pay-as-you-go amendment, when did it become operative again?

Mr. TALLAMY. Just with the new apportionment.

The CHAIRMAN. The new apportionment?

Mr. TALLAMY. Yes.

The CHAIRMAN. On what date?

Mr. TALLAMY. As soon as we make it, and under this, which would be this year under the legislation under which you are considering.

The CHAIRMAN. It runs automatically?

Mr. TALLAMY. It runs automatically.

The CHAIRMAN. As soon as action is taken?

Mr. TALLAMY. Yes, sir.

The CHAIRMAN. Senator Anderson.

Senator ANDERSON. No questions.

The CHAIRMAN. Senator Gore.

Senator GORE. Mr. Chairman, I submit that Mr. Tallamy's replies to the questions of Senator Douglas have already demonstrated that the answers to you earlier, on which I raised the point, was only partially correct. I shall come to that in due order, however.

I would like to develop this question in an orderly way, and will come to that question later.

Mr. Tallamy, your problem has two distinct parts, does it not? One, the lack of funds to meet commitments and obligations falling due within the present fiscal year?

Mr. TALLAMY. Yes, sir.

Senator GORE. And two, the making of apportionments for use and obligation of the States for future years?

Mr. TALLAMY. Yes; that is right.

Senator GORE. And each of those two major parts is subdivided, are they not, into the interstate highway program, on the one hand, and the ABC, the primary, secondary, and urban highways, on the other.

Mr. TALLAMY. That is right.

Senator GORE. I would like first to discuss problem No. 1, to which little reference has been made thus far.

What are the obligations falling due within the fiscal year, or the amount of obligations falling due within the present fiscal year which you are unable to meet without additional legislation or appropriation?

Mr. TALLAMY. Would you ask me that question again?

Senator GORE. What is the amount, what is the total of the obligations falling due within the present fiscal year, 1960, for which you would be in default without either additional legislation or appropriation?

Mr. TALLAMY. Divided into two parts, we require an expenditure this year of \$1.11 billion for the ABC program, and \$2.25 billion for the interstate program.

Senator GORE. You are giving me now the total commitments?

Mr. TALLAMY. The result of the total commitments. This is the result.

Senator GORE. The figure I am asking you for is the amount of default on the trust fund, if I must use that word, without additional legislation or appropriation, or a combination of the two.

Mr. TALLAMY. I understand; \$490 million.

Senator KERR. That is the deficit for the current fiscal year which you forecast?

Mr. TALLAMY. Yes, sir.

Senator GORE. I thought you had estimated it to be \$493 million.

Mr. TALLAMY. \$490 million is what I have on this chart. Maybe it is \$493 million.

The interest is \$3 million, I am told.

Senator GORE. Then as a matter of fact, it is \$493 million?

Mr. TALLAMY. Yes.

Senator GORE. Now, how much additional revenue within the fund will be provided by H.R. 8678, within the present fiscal year?

Mr. TALLAMY. \$383 million. That is based on the present legislation being effective on September 1.

Senator GORE. That cannot now be a correct answer.

Mr. TALLAMY. So it will be reduced. My charts are all based on that, but it will be reduced \$50 million, so it will be about \$333 million.

Senator GORE. Then you have a deficit in the fund of \$493 million and the bill before the committee would provide only \$333 million.

Mr. TALLAMY. Yes.

Senator GORE. Then that would leave you in default to the States \$190 million, would it not?

Senator KERR. \$160 million.

Senator GORE. \$160 million.

Mr. TALLAMY. \$157 million is what the deficit would be at the end of this fiscal year, and what we would have to do under this legislation would be to carry vouchers over to the extent of about 2 or 2½ weeks'

business from this fiscal year to the next fiscal year, and then taper off during the course of the next fiscal year.

Senator GORE. That is a nice way of explaining how you would handle a default.

Mr. TALLAMY. Yes; that is the way it will have to be done.

Senator ANDERSON. Could you find out how you got the \$157 million? You said it was \$493 million, and you subtracted \$333 million from it and got \$157 million.

Senator BENNETT. There is \$3 million of interest in there which probably does not affect the obligation to the States. He started out with a figure of \$490 million.

Senator GORE. It affects his deficit; it affects his ability to meet those obligations, so it really is \$160 million.

Mr. TALLAMY. Let me straighten that interest out. It isn't interest that we have to pay; it is interest that we get. It is \$3 million in interest which goes to the credit of the trust fund as a result of investments by the Secretary of Treasury of existing funds.

Senator KERR. And that reduces the deficit?

Mr. TALLAMY. That reduces it, so that it comes down to \$157 million.

Senator GORE. I am willing to proceed on the basis of \$157 million, because it probably is still there in approximately the same proportion.

How much money is in the trust fund at this time?

Mr. TALLAMY. I can give it to you on July 31. It was \$15 million.

Senator GORE. I would like to know what it will be—what I am really getting to—what is it going to be on October 1, which would be the earliest effective date in which this additional gasoline tax could go into effect, if it ever does?

Mr. TALLAMY. The balance at the end of September will be \$38 million.

Senator GORE. \$38 million.

Now, what would be your deficit in the fund on December 31, even with the passage of H.R. 8678?

Mr. TALLAMY. \$353 million would be the deficit on December 31.

Senator GORE. Even with the passage of H.R. 8678?

Mr. TALLAMY. Yes, sir.

Senator GORE. Then how can you possibly contend that H.R. 8678 solves your problem?

Mr. TALLAMY. The Secretary of Treasury has advised that he would have no objection to an appropriation to the general fund, to the trust fund, for this fiscal year, provided it was returned from the trust fund to the general fund by the end of this fiscal year, so it would require an appropriation act this year.

Senator GORE. As a matter of fact, has not the Department of Commerce already prepared such a supplemental appropriation request and submitted it to the Bureau of the Budget?

Mr. TALLAMY. Yes, sir.

Senator GORE. I think you are prudent in doing so, but it doesn't quite comport with all of the public pronouncements that the 1-cent additional gasoline tax is going to solve the problem.

Mr. TALLAMY. It permits the repayment to the general fund of its appropriations which we just spoke of during this fiscal year within the \$157 million item which will be carried over by holding vouchers from one fiscal year to another.

Senator GORE. Does your supplemental request involve an appropriation to accommodate not only the \$353 million deficit as of December 31, but the \$157 million deficit as of next June 30?

Mr. TALLAMY. No, sir; it does not.

Senator GORE. You propose to let the States continue to hold the bag for \$157 million?

Mr. TALLAMY. For a short period from one fiscal year to another, and then taper off in the second fiscal year.

Senator GORE. Had the Congress previously been advised of this pending supplemental appropriation request?

Mr. TALLAMY. It has been certainly discussed on the House side in the consideration of this legislation.

Senator GORE. Let us go now to the question of apportionment, which is the second major part.

Did the 1958 act provide any acceleration of construction or obligation?

Mr. TALLAMY. Yes, sir; it did.

Senator GORE. In the Interstate System over the schedule of apportionment written into the 1956 act?

Mr. TALLAMY. It did.

Senator GORE. Are you sure?

Mr. TALLAMY. I am sure.

Senator GORE. What was the apportionment schedule in the 1956 act?

Mr. TALLAMY. The apportionment for fiscal 1959 was \$2 billion and the 1958 act increased it to \$2.2 billion, and in the 1960 it was \$2.2 billion. The 1958 act increased it to \$2.5 billion.

Senator GORE. All right, I will put it this way:

Did the 1958 act accelerate the interstate and defense highway construction schedule as to time, or did it not, in fact, merely increase apportionments in direct compliance with the increased cost estimates which you submitted to the Congress, to the Senate Committee on Public Works?

Mr. TALLAMY. Well, it did both. It increased the amount of contracts and apportionments that could be made for the Interstate System, and that was probably in recognition of the increased cost. I don't know that the legislation specifically said so.

Senator GORE. I think we understand each other, if we can get it into the same words, because I know what the facts are, and so do you.

Mr. TALLAMY. Surely.

Senator GORE. And you are not trying to be evasive.

Mr. TALLAMY. No, sir.

Senator GORE. You never have been.

Is it not a fact—I will give you the table if you need it to refresh your memory—is it not a fact that the 1958 act provided apportionments only sufficient to keep the interstate schedule, the interstate highway program on a construction schedule and apportionment schedule which would comply with the schedule in the original act?

Mr. TALLAMY. The schedule of completion in the original Act?

Senator GORE. That is right.

Mr. TALLAMY. Yes, sir; it did.

Senator GORE. Then your answer is "Yes"?

Mr. TALLAMY. Yes.

Senator GORE. Then what the 1958 act provided on the Interstate System was not an acceleration, but merely adjusting the apportionment schedule to comply with the increased cost estimates which you, yourself, submitted?

Mr. TALLAMY. It made it possible with those apportionment figures in the 1958 act to meet the date of completion of the Interstate System, so that statement is correct.

Senator GORE. So we are in agreement on that?

Mr. TALLAMY. Yes, sir.

Senator GORE. Without such an action on the part of Congress, there would have been a slowup and a stretchout of the construction schedule, completion schedule of the Interstate System?

Mr. TALLAMY. There would, unless there was an acceleration later on.

Senator GORE. We are not speaking now of "ifs".

Mr. TALLAMY. That is right.

Senator GORE. We are speaking of facts. Without the 1958 act, you had recommended and there would have been in effect now a stretchout of the completion schedule of the Interstate System?

Mr. TALLAMY. That is right.

Senator GORE. Unless the Congress takes action now, there will be another stretchout even worse; is that not true?

Mr. TALLAMY. That would depend on the action we took in 1961 when the reports come in.

Senator GORE. Again we are speaking of the future.

I am saying unless the Congress acts now, there is in prospect a severe slowup if not an absolute stoppage of the Interstate System.

Mr. TALLAMY. That is absolutely so. Unless the Congress takes action now, it will seriously slow up the program under existing legislation.

Senator GORE. All right, we agree on that.

Now, I come to the next question:

If the Congress does no more than to pass H.R. 8678, it will necessitate a stretchout of the completion schedule of the Interstate System; is that correct?

Mr. TALLAMY. If they take no other action than that, that is true.

Senator GORE. All right. Now give us the exact amount of the stretchout. In how many years would you expect the program to be completed if this is the total revenue provided to the trust fund?

Mr. TALLAMY. And nothing else throughout the life of the program?

Senator GORE. That is right.

Senator KERR. Except existing law.

Senator GORE. Except existing law.

Mr. TALLAMY. Four years.

Senator GORE. A 4-year stretchout?

Mr. TALLAMY. Yes, sir.

Senator GORE. So H.R. 8678 neither meets your problem of obligations to this fiscal year, nor the problem of apportionments to keep the system on schedule for future years' is that not a correct statement?

Mr. TALLAMY. That is a correct statement. I might add though, if I may—

Senator GORE. You may add anything you like.

Mr. TALLAMY. I may say that it maintains this at a rate whereby the Congress might at least consider a long-range financing program in 1961, and develop one which would not be an impossible one to do, and still remain on schedule.

Senator GORE. Are you sure that you gave a correct answer that H.R. 8678 would only necessitate a 4-year stretchout. Would not in fact a \$2.5 billion rate of expenditure give us a 3-year stretchout when all that would be available for apportionment as a result of passage of H.R. 8678 would be \$1.8 billion?

Mr. TALLAMY. Mr. Allen is with me and he has worked up a chart which shows that under the apportionment schedule \$1.8 billion for 1961 and \$2 billion for 1962, and then going down to \$1.6 billion in 1963, and then increasing gradually to \$2 billion in 1970 and practically \$2 billion in 1971.

We have a total of \$27.4 billion.

Senator GORE. Your increased estimates of cost exceed that. Incidentally, I have a Mr. Allen with me also who has likewise prepared some charts.

Mr. TALLAMY. And that gives us this amount in 1972, and then we would have 4 more years of trust fund revenue to obtain the additional funds and that would be all right.

Senator GORE. How long will it be at the annual rate of \$2 billion?

Mr. TALLAMY. We have got \$8.9 billion. It would be a little over 5 years at that rate, at \$2 billion.

Senator GORE. Mr. Chairman, it is obvious that we agree that H.R. 8678 if passed in its present form would provide a great stretchout of the program, and I request that Mr. Tallamy be permitted to submit a table at this point, and that I will submit a table showing the exact amount of the stretchout which will be necessary.

Senator BYRD. Without objection that will be done.

(The following table was submitted by Senator Gore:)

Estimated completion date for Interstate System with funds provided by H.R. 8678 and extension of funds earmarked by Highway Revenue Act of 1956

Fiscal year	Present trust fund revenues	Revenues added by H.R. 8678	Total funds	ABC ¹ expenditure requirements	Balance available for interstate	Accumulative total for interstate
1957.....	\$1,482	-----	\$1,482	\$758	\$724	\$724
1958.....	2,044	-----	2,044	836	1,208	1,932
1959.....	2,084	-----	2,084	1,112	972	2,904
1960.....	2,122	\$375	2,497	1,110	1,387	4,291
1961.....	2,195	580	2,775	910	1,865	6,156
1962.....	2,280	840	3,120	897	2,223	8,379
1963.....	2,332	815	3,147	911	2,236	10,615
1964.....	2,392	835	3,227	936	2,281	12,896
1965.....	2,455	-----	2,455	936	1,519	14,415
1966.....	2,520	-----	2,520	936	1,584	15,999
1967.....	2,586	-----	2,586	935	1,651	17,650
1968.....	2,657	-----	2,657	935	1,722	19,372
1969.....	2,728	-----	2,728	935	1,793	21,165
1970.....	2,799	-----	2,799	935	1,864	23,029
1971.....	2,873	-----	2,873	935	1,938	24,967
1972.....	2,951	-----	2,951	935	2,016	26,983
1973.....	3,028	-----	3,028	935	2,093	29,076
1974.....	3,103	-----	3,103	935	2,168	31,244
1975.....	3,180	-----	3,180	935	2,245	33,489
1976.....	3,260	-----	3,260	935	2,325	35,814
1977 ²	2,121	-----	2,121	935	1,186	³ 37,000
1978.....	935	-----	935	935	0	-----

¹ ABC program frozen at \$925,000,000 per year (plus \$10,000,000 for revolving catastrophe fund).

² Trust fund reduced to needs to finish interstate and continue ABC.

³ To complete the 41,000-mile system.

(The following table was submitted by Mr. Tallamy).

Estimated status of highway trust fund under proposed legislation, H.R. 8678

[Millions of dollars]

Fiscal year	Apportionments		Expenditures		Revenues			Balance in the fund
	Inter-state	Primary secondary and urban ¹	Inter-state	Primary secondary and urban ¹	Present sources	Additional	Total	
Balance.....	140	965						
1957.....	1, 175	832	208	758	1, 482		1, 482	+516
1958.....	1, 700	859	675	836	2, 044		2, 044	+1, 049
1959.....	2, 200	1, 388	1, 501	1, 112	2, 087		2, 087	+523
1960.....	2, 500	910	2, 025	1, 110	2, 122	383	2, 505	-107
1961.....	1, 800	883	1, 755	910	2, 195	577	2, 772	0
1962.....	2, 000	884	2, 000	897	2, 280	877	3, 157	+260
1963.....	1, 600	935	2, 000	911	2, 332	831	3, 163	+512
1964.....	1, 600	935	2, 200	936	2, 392	854	3, 246	+622
1965.....	1, 600	935	1, 575	936	2, 455		2, 455	+566
1966.....	1, 600	935	1, 600	936	2, 520		2, 520	+550
1967.....	1, 800	935	1, 650	935	2, 586		2, 586	+551
1968.....	1, 800	935	1, 725	935	2, 657		2, 657	+548
1969.....	1, 900	935	1, 775	935	2, 728		2, 728	+566
1970.....	2, 000	935	1, 875	935	2, 799		2, 799	+555
1971.....	2, 000	935	1, 925	935	2, 873		2, 873	+568
1972.....	2, 200	935	2, 025	935	2, 951		2, 951	+559
1973.....	2, 200	935	2, 100	935	3, 028		3, 028	+552
1974.....	2, 300	935	2, 175	935	3, 111		3, 111	+553
1975.....	1, 885	935	2, 250	935	3, 193		3, 193	+561
1976.....		935	2, 350	935	3, 278		3, 278	+554
1977.....		935	611	935	992		992	0
Total.....	36, 000	20, 746	36, 000	19, 627	52, 105	3, 522	55, 627	

¹ Includes emergency relief program, as well as special funds totaling \$502 million apportioned for 1959.

SENATOR GORE. Now Mr. Tallamy and Mr. Chairman, I want to call your attention to what I regard as a serious matter. Mr. Tallamy has several times used the term "contract control." I would like to have the attention of the chairman, who is ordinarily interested in States rights. Mr. Tallamy has several times today used the term "contract control." He is talking about control of State contracts. This is Federal control of contracts of the Commonwealth of Virginia, about which he is talking, and the State of Tennessee.

I know of no authority in the law for such action. The law provides for apportionment to the States by a given formula to the extent that funds are available in the trust fund. When that apportionment is made, that becomes a commitment to the States. I know of no control over which State contracts which the Bureau of Roads can exercise within the commitment of this apportionment except approval or disapproval, and I think the senior Senator from Oklahoma will bear me out that that approval or disapproval contemplates approval or disapproval as to engineering designs, as to adequacy of plan.

SENATOR KERR. Meeting of standards.

SENATOR GORE. Meeting of standards.

SENATOR KERR. I think the Director will agree with that.

SENATOR GORE. Well, we will give him an opportunity.

SENATOR KERR. I say that that is my understanding of the law, and if it isn't the law, I would like to have the Director show me the language which is different.

SENATOR GORE. And we will soon I believe make it the law.

SENATOR BYRD. Are you speaking of the interstate?

Senator KERR. Any apportionment.

Senator GORE. I am speaking of a farm to market road also, sir.

Senator KERR. Any apportionments?

Senator GORE. In Virginia?

Mr. TALLAMY. It is an overriding basic principle involved it would seem to me that section 209(g) says that we cannot create an obligation or certainly implies that we cannot create an obligation which will result in a deficit in the trust fund.

Senator KERR. Where is 209(g)?

Can staff let us have a copy?

Senator GORE. I would like to point out that that relates to the limitation of apportionment, availability of funds within the trust fund. This doesn't give the Federal Government any overriding authority to ride herd over the State highway departments and control their contracts after the apportionment has been made.

Senator KERR. I believe the Director's staff has a copy of 209(g), doesn't he?

Senator DOUGLAS. There is an interval and I would like to assume the somewhat unfamiliar role of coming to the aid of the beleaguered gentleman. Since the Federal Government pays 90 percent of the cost, if it is not in the law I would like to see it put into the law that the Federal Government would have some control over the expenditure.

Senator KERR. I remind the Senator of the actual amendment.

Senator GORE. I am not attempting to beleaguer the gentleman. There has been lots of misinformation on this program, and I am trying to get it down to the basic facts and get it before the American people. This is an unjustified proposal. It is inadequate and unacceptable. It will solve neither the obligations of the present year nor the problem of apportionments for future years.

I don't propose to see it solved by any extra legal Federal control of State contracts.

Mr. TALLAMY. May I have my General Counsel answer this? I am an engineer, not a lawyer.

Senator BYRD. Yes.

Mr. ENFIELD. My name is Clifton Enfield. Mr. Chairman, under the provisions of section 105, 106, and 110 of title 23 which is the codified highway law, it provides in section 105 that after submission by the States of a program, the Secretary shall as soon as practicable approve that program. Under section 106 it provides that the Secretary shall, as soon as practical—

Senator GORE. Before you leave that, that section, why don't you read the whole section and we will see just what it presents.

Mr. ENFIELD. Section 105 provides that:

As soon as practical after the apportionment for the Federal aid systems have been made for any fiscal year, the State highway department of any State desiring to avail itself of the benefits of this chapter shall submit to the Secretary for his approval a program or programs of proposed projects for the utilization of the funds apportioned.

The Secretary shall act upon programs submitted to him as soon as practicable after the same has been submitted. The Secretary may approve a program in whole or in part, but he shall not approve any project in a proposed program which is not located upon an approved Federal aid system.

Subsection (b) goes on to provide for certain requirements on approval.

Senator GORE. Let's have that too.

Mr. ENFIELD. It says:

In approving programs for projects on a Federal aid secondary system the Secretary shall require except in States where all public roads and highways are under the control and supervision of the State highway department that such project be selected by the State highway department and the appropriate local officials in cooperation with each other.

Subsection (c) says:

In approving programs for projects on the Federal aid primary system the Secretary shall give preference to such projects as will expedite the completion of an adequate and connecting system of highways interstate in character.

Section (d):

In approving programs for projects under this chapter the Secretary may give priority of approval to and expedite the construction of projects which are recommended as important to the national defense by the Secretary of Defense or other official authorized by the President to make such recommendation.

Subsection (e):

In approving programs in Hawaii the Secretary shall give preference to such projects as will expedite the completion of highways for national defense or which will connect seaports with units of national parks.

Subsection 106 provides for—

Senator KERR. Mr. Enfield, the question which Senator Gore is trying to determine, and in which I am equally interested, is the basis in law of the proposal the director made a while ago or the policy being announced of contract control after an apportionment has been made, and of amounts of money within the apportionment as made. Now you are one of the most able men who has ever been before any committee of Congress on which I have served. I am sure you can turn to the provision in the law which gives him that authority or which discloses that he doesn't have it.

Mr. ENFIELD. The provisions in the law, that in my opinion give him that authority are found in sections 105, 106, and 110, which provide—

Senator KERR. Then it is not in the so-called Byrd amendment at all.

Mr. ENFIELD. No, sir, and it is the authority that provides for the Secretary's approval or disapproval of projects, programs and entering into projects agreements, and that there is necessarily inherent in the approval authority discretion to assure that all things essential to carrying out that approval are actually present.

Senator KERR. Doesn't the State have the vested right when the apportionment is made to it?

Mr. ENFIELD. The State has the right to submit programs and projects for approval.

Senator KERR. Is that a vested right?

Mr. ENFIELD. You might say it is a vested right insofar as the statute is concerned; yes.

Senator KERR. It would have to be in accordance with the statute or we wouldn't have it.

Mr. ENFIELD. It is a vested right to submit programs and projects for approval.

Senator KERR. Now here is what disturbs the Senator from Tennessee and what disturbs me. After an apportionment is made—you never make an apportionment to one State and not make it to another, do you?

Mr. ENFIELD. No, they are made to all at the same time.

Senator KERR. Well, answer my question. Do you make it to one State without making it to all of them?

Mr. ENFIELD. No, sir.

Senator KERR. Doesn't each one of them have an equal right in the apportionment as made to it?

Mr. ENFIELD. That is correct.

Senator KERR. Then does the Director have the control authority whereby he can say to a State "Now you have an equal right in your apportionment to that which any other State in the Nation has to its apportionment, but by reason of the facts that you are going too fast here, although you are operating within the time the law contemplates that you should operate, we have got contract control over you that we are going to slow you down until other States catch up in the awarding of their contracts to where the withdrawal from the Treasury will be on a proportionate basis as between the States within these apportionments made on an equal basis and at the same time to all the States."

Mr. ENFIELD. Under the approval provisions of 106, which sets up the approval of the project, when that approval is given it creates under the law a contractual obligation to the Government to pay, to pay the Federal share of that contract.

Now I believe there is inherent in the approval which must be exercised under the statute by the Secretary discretionary authority in the Secretary to assure that when he constitutes that contractual obligation by approval, that there will be moneys available to make payment.

He can't withhold that approval arbitrarily nor can he discriminate against one State or in favor of another State.

Senator KERR. Don't you have a provision in the law that that apportionment is valid even beyond the fiscal year for which it is made?

Mr. ENFIELD. It is good for 2 fiscal years following the close of the fiscal year for which it is made.

Senator KERR. Yet you are telling us that in your judgment he can fix it so that each State has to obligate its apportionment proportionately so that one State that is moving ahead in the development of its program will be held back by other States who, for reasons other than to conserve time—it might be because they didn't have the money.

It might be because they weren't ready to go forward with their program. It might be because of the season of the year being different in a northern State also than a southern State. Are you telling the committee that the Director yet has the authority under his contract control right which you say is inherent in the law, to compel all States to move forward on a proportionate basis in the commitment of their parts or percentages in those apportionments?

Mr. ENFIELD. Whether that would be necessary or not I can't answer. I do believe that if he finds that is necessary to prevent an overdraft of the trust fund and not be able to pay bills as they come due, that the Administrator could do that; yes.

Whether that would be necessary to handle it in exactly that fashion I am not prepared to say.

Senator KERR. Then the provision in the law with reference not only to the priority of the ABC system but also with reference to the apportionment being valid 2 years beyond the fiscal year for which it is made are ineffectual except as the Secretary or the Director chooses to implement them consistent with his inherent right to exercise the power of contract control.

Mr. ENFIELD. He couldn't exercise that right of contract control in violation of the general intents and purposes of the act. Whatever he does would have to be to implement the act.

Senator KERR. I am asking you a specific question.

Mr. ENFIELD. Your question is does he exercise contract control in such a way as to mitigate against the provisions for the 3-year availability for the right of the State to submit programs and projects for approval? No; his action would have to be consistent with that.

Senator KERR. Can he exercise the right of contract control so that a State that is ready to go ahead and use up its apportionment in a timely manner subject to the moneys that are in the trust fund cannot do so if he so chooses to tell them that, except as to that part of the trust fund available which he deems to be available proportionately to that State?

Mr. ENFIELD. I think he could do that if otherwise it would mean that some other State would not be able to be paid when they presented their bill.

Senator KERR. Although you had no proposal from them, although you had no submission of a program from them, and actually no knowledge that they were going to use their apportionment within the fiscal year for which it is made, or even in the 2 years that would be valid beyond the fiscal year for which it is made.

Mr. ENFIELD. No; I think that would have to be no. I think that would—you would have to have a reasonable basis on which to contemplate that the other States would submit programs and projects for approval.

Senator KERR. How could he know if they had not submitted them. How long would his power be available to him to withhold approval of State aid of contracts submitted within their apportionment, because he contemplated the possibility that if State B didn't get a program in, and he doesn't know whether they are going to or not, that might use up part of that trust fund?

Mr. ENFIELD. He would have knowledge because the programs are submitted considerably in advance of the actual construction.

Senator KERR. Suppose the State had not submitted the programs. Suppose they are a conservative State moving slowly?

Mr. ENFIELD. Then I think it would be the duty of the Administrator to inquire as to what the plans are.

Senator KERR. And hold up State A until he found out what the plan of State B might be some time in the future.

Mr. ENFIELD. A reasonable length of time.

Senator KERR. You think he has that authority?

Mr. ENFIELD. Yes, sir.

Senator KERR. I will tell you I don't think he does. I think the law ought to be clarified to make it clear.

Senator GORE. Mr. Chairman, I submit that the gentleman is talking of controlling contracts of States to which the States themselves contribute 50 percent of the cost. Never before have we oper-

ated on any basis other than apportionment on a matching basis. This has been a cooperative program. It has worked well. But now we have proposed Federal control of States contracts even though the States provide 50 percent of the contracts. I have taken enough of the committee's time.

Senator BYRD. Mr. Tallamy, when you speak of control do you mean that a Federal agency can compel a State to reject a contract for road construction?

Mr. TALLAMY. That control as I visualize it would operate in this fashion: That we would advise the State that during the course of the year they will be able to enter into \$75 million worth of contracts on the Interstate System and \$30 million say on the ABC program, and so they know that at the very outset. Then knowing that, and incidentally that figure is the amount which would prevent an overdraft of the trust fund, so knowing that at the very outset, the State then can develop its program and proceed under it.

It would, however, in my opinion be necessary to go one step further, and point out that during the course of the year, when they would be awarding this amount of work, and have authority to do it, continue to do it, that they might have to go slow in the first part of the year and accelerate their program during the latter part of the year.

Senator BYRD. If the State was within its allotment, could the Federal agency then say "You cancel a contract with Jim Jones, a contractor"?

Mr. TALLAMY. Cancel a contract; no, no.

Senator KERR. They can withhold approval of it?

Mr. TALLAMY. Oh, no; there would be nothing of that nature.

Senator BYRD. Is this exercised only when a State exceeds its allotment in making contracts? I don't exactly understand what you mean. Now, withholding of approval, would that result from canceling a contract?

Mr. TALLAMY. No; this would be before a contract was entered into. In other words, if the State of Virginia was told that it could proceed with \$25 million worth of contracts during the course of this year on the Interstate System, then the State of Virginia could at once program \$25 million worth of work and place it under contract. But they couldn't place the whole \$25 million in the first 2 years because 2 years from now that would mean that it would all pile up in expenditures on the trust fund in a very short period of time in a fiscal year, so that the \$25 million would have to be spread over this fiscal year, so that the expenditures would be spread over the fiscal year 2 years from now. But it does not mean that any outstanding contracts that the State might have with a contractor would be canceled; no.

Senator BYRD. Is your control limited to control over the amount that is allotted to the States?

Mr. TALLAMY. My control is——

Senator BYRD. In other words, could a State exceed its allotment and pay for that out of its own funds?

Mr. TALLAMY. I'm sorry, I couldn't hear you.

Senator BYRD. I say could a State make contracts in excess of its allotment from the Federal Government?

Mr. TALLAMY. No; it could not.

Senator BYRD. Even though that State was willing to temporarily put up the money to pay the contract?

Mr. TALLAMY. Yes; they could on the Interstate System proceed on their own at their own rate, and then we would approve all of the plans, but when apportionments were made in the future years, they could be applied against those contracts.

Senator BYRD. It is not a question of approving each individual contract as I understand it, the control you speak of is in the programming.

Mr. TALLAMY. It is the programming.

Senator BYRD. I am inquiring, to what extent the contracts can be let? From the standpoint of money involved?

Mr. TALLAMY. Exactly. It is the control of the program that I was referring to.

Senator BYRD. Could you say that a State couldn't give a contract to a contractor that you thought was not a competent and not an efficient contractor or something like that?

Mr. TALLAMY. I could do that but that is under another section of the law.

Senator BYRD. Do you ever do that?

Mr. TALLAMY. Yes, sir.

Senator BYRD. In other words, you exercise a control over the contractor, the man who gets the contract.

Mr. TALLAMY. Yes, sir. Surely we do. We observe the work that he has done, and if it is not proper, we advise the State and tell the State they have got to do something about it, and we won't participate in the cost of it.

Senator BYRD. If the State pays half of it, I don't exactly see how you can determine who the contractor can be by refusing to approve a contract made with a certain firm.

Mr. TALLAMY. If the firm was not a reliable firm—if a firm was not a reliable firm and our past experience had indicated that, we would tell the State that we would not participate in that particular project. Now we can't tell the State it, itself, can't go ahead with it, but certainly we must be sure that the contracts are proper, that they are the low bidder, that they are experienced in that type of work and they are performing it properly.

Otherwise we shouldn't be spending our money for it, and that is the only time that we can, but we don't tell a State they can't do it.

Senator BYRD. The spending in that State is limited to a certain amount, isn't it?

Mr. TALLAMY. Yes.

Senator BYRD. Of course if the State has an inefficient contractor, then the State actually loses.

Mr. TALLAMY. That is right, the State has got to pay for it.

Senator BYRD. They have got to pay for it?

Mr. TALLAMY. Sure.

Senator BYRD. Now the control that you exercise is on ABC contracts as well as on the Interstate System?

Mr. TALLAMY. Yes, sir.

Senator BYRD. Do you often reject any contracts that the States make?

Mr. TALLAMY. No; I don't think so. We find out that situation before the contract is entered into. We carefully analyze all of the

bids that are submitted, and determine the qualifications of the contractor, the suitability of the estimates and of his proposal before we let the State enter into the contract with our money.

The CHAIRMAN. Are all of the contracts let out on competitive bids?

Mr. TALLAMY. Yes, sir.

The CHAIRMAN. And those bids are analyzed by your Department?

Mr. TALLAMY. Yes, sir.

The CHAIRMAN. If you think a bid is excessive, then you withhold your approval of it?

Mr. TALLAMY. We withhold our approval.

The CHAIRMAN. Of course, the State can go ahead and build it if it chooses to?

Mr. TALLAMY. That is right.

The CHAIRMAN. With their own funds?

Mr. TALLAMY. That is right.

The CHAIRMAN. Are there any further questions?

Senator KERR. Does the so-called Byrd amendment direct the Secretary of the Treasury, and whoever else is directed, in watching the income of the trust fund, to take into account what it will probably receive for any given fiscal year, then make the apportionment first to the ABC system, and what is left and within the authorization for the Interstate System, make that apportionment between all the States on an equal basis under the formula prescribed?

Mr. TALLAMY. Yes.

Senator KERR. But you have told us now that in order to guard the trust fund's solvency, you are going to, in the future, exercise contractual control so that no State can get ahead of other States, although the other States didn't want to move according to the schedule, to prevent any State getting the money out of the Trust Fund at a rate faster than all the other States, although the amount it was seeking to have approved and withdrawn is within its apportionment.

Mr. TALLAMY. Not quite the way you have indicated, I don't believe.

Senator KERR. It is either that or nothing, Mr. Director. The Senator from Nebraska asked you if you were going to exercise contract control so that contracts, even though within the apportionment made by the States——

Mr. TALLAMY. Yes, sir.

Senator KERR. Would be held up by you to prevent one State from getting ahead in the rate of withdrawal of other States. Now, that is what the Senator from Nebraska asked you.

Mr. TALLAMY. Yes, sir.

Senator KERR. And you told him yes, and I don't believe you are going to do it. I don't believe you are going to do it. If you do it, I think you will be impeached or run out of the office.

Senator CURTIS. I would be opposed to such an impeachment.

Senator KERR. I am sure you would, if Nebraska was involved.

Senator CURTIS. No, I think if any State was involved.

Senator KERR. If Nebraska were given an apportionment, though, for a fiscal year, and knew that if it didn't obligate it within a certain period of time she would lose it, I don't believe that you would say, "I want you to be held back until some other State who maybe doesn't intend to use it at all, but we don't know, has obligated herself on a proportionate basis," before you can go forward in the orderly de-

velopment of your highway program. I don't believe you would want that put on the record.

Senator CURTIS. That is exactly what I favor.

Senator KERR. No, it is exactly the opposite.

Senator CURTIS. I do not think that these States that proceed at a mad rush——

Senator KERR. You don't have to be in a mad rush.

Senator CURTIS. Should so tie up the Federal funds that States that move more slowly have their Federal funds jeopardized.

Mr. TALLAMY. In furtherance to this question, I would like to point out two things, possibly three:

First, this is a temporary problem resulting from the obligations which have been created in excess of the trust fund's ability to liquidate them. So this contract control feature is one which will exist for probably not more than 2 years, or at the most 3, when the apportionments that are made each year will be in line with the ability of the trust fund to liquidate the expenditures resulting from those apportionments, so that we get back on the same policy of apportionments controlling the expenditures just as soon as we can get over this one hump where the outstanding contracts are in excess of the ability of the trust fund to liquidate them.

Now, in getting over this one hump, the expenditures—let me put it another way—the contract control is not on an individual contract; it is not a piecemeal affair. It is advising the State that in this particular year their program for awarding contracts cannot exceed a certain amount.

Senator GORE. Mr. Tallamy, what you just stated would mean that the apportionment approved by Congress is meaningless.

Mr. TALLAMY. May I——

Senator KERR. Except as he chooses——

Senator GORE. Except as he chooses to implement it with his contract control. This is contrary to the highway program since its very beginning.

Mr. TALLAMY. May I add, and this is what I want to come to, that this would be exercised and we would advise the States that this would be necessary if we are to pay them on time. Now, if a State wants to go ahead within the amount of apportionments that have been made, recognizing that the trust fund will not be able to support their payment when they submit the voucher to us, we, under those circumstances, of course, would not tell a State that they couldn't go ahead. But it would be obviously necessary for us to say to a particular State, "If you want to be paid on time out of the trust fund within our ability to pay you, the amount of contracts under your apportionments that you can make this year is so much, and that is all. And if you go beyond it"——

Senator KERR. Isn't it the duty under the Byrd amendment to exercise that control in the making of the apportionments?

Mr. TALLAMY. Right; but that wasn't done last year, Senator.

Senator KERR. Why would it take you 3 years to catch up to it, when you have told us that you are not even going to make the apportionment for 1961 until you get the money?

Mr. TALLAMY. Yes, but you see——

Senator KERR. Isn't that what you have told us?

Mr. TALLAMY. I did.

Senator KERR. And isn't it incumbent on those charged with that responsibility to exercise that apportionment control with reference to fiscal 1961?

Mr. TALLAMY. Exactly.

Senator KERR. Yet if it is, then why would they not do it in a manner that would relieve you of the responsibility of going behind that and exercising your so-called contract control even with reference to the apportionment for 1961? What would be the meaning of fiscal 1961 apportionment even if we passed this legislation, if you were then going to say to the State, "We asked Congress for certain measures to enable us to make this 1961 apportionment. It has now been made in accordance with the Byrd amendment in the law, but even so we are only going to let you obligate it at a certain rate which will be determined by the rate which other States bring in their contracts for obligations"?

Mr. TALLAMY. I think it could be understood that way. The contracts that we awarded last year to this substantial extent above the trust fund are going to create deficits this year. Now, if we apportion, for example, \$1.8 billion for the Interstate System next month, and if, under that circumstance, the States all came in and placed under contract \$900 million in the next 2 months in this fiscal year, the expenditures that would result from that would be so great that it would, in this fiscal year, that the deficit would be very substantial. It would be increased more than what it will be, this nearly \$500 million, what it will be as a result of the contracts made last year.

So all we are doing, if we did that, would be to have the States award a lot of contracts in November and December and create a lot of additional expenditures in May and in June next year to add to the deficit which is going to be created as a result of the contracts last year.

So all I am saying is that the States can go ahead with the \$1.8 billion in contracts this year, but "Don't do it all in the first part of the program, because if you do, we won't be able to pay you right away."

Now, if the State says, "We don't care whether you pay us or not right away," why then, of course, it is all right for them to do it.

But I do think maybe the words "contract control" are words I should not have used. Maybe I should have said contract advisement in regard to payments.

Senator KERR. I think you have got the right to exercise apportionment control.

Mr. TALLAMY. Yes.

Senator KERR. I think it is mandatory that you do so.

Mr. TALLAMY. Yes, sir.

Senator KERR. I think when you exercise contract control as you have described it, within the limits of the apportionment, then you are doing something on the basis of your counsel's advice that it is inherent within the law, and when you get to exercising powers which you decide are inherent within the law, I draw the limit to that.

Mr. TALLAMY. Maybe under your interpretation I should not do it as a directive, but don't you think I should advise the States that even though they can award \$50 million worth of contracts this year, that "If you do it all in November and December, that I won't be able to pay"?

Senator KERR. I think when you make your apportionments you can say to them this apportionment is made for fiscal 1961. Under the trust funds, under the operations of the trust funds, the funds will be available within a certain period of time to honor the obligations, but we are not attempting nor will we attempt to exercise contract control over your obligations within this apportionment to you, and your achieving it is not going to be subject to whether some other State does or not. But on the basis of the apportionment made to you, the funds under it will be available on a certain schedule.

I think you have got a right to do that.

Mr. TALLAMY. Yes. Well, that is what I had in mind.

Senator KERR. That isn't what you said.

Senator CURTIS. Will the Senator yield briefly right there?

Senator KERR. Yes.

Senator CURTIS. Actually, the term "contract control" may be interpreted by many people to exercise jurisdiction over many phases of the contract. What you really want is within the fiscal year to be in a position to exercise some scheduling control as to when, during that year, you meet the total apportionment, isn't that right?

Senator BENNETT. It is really reimbursement control.

Mr. TALLAMY. Reimbursement control.

Senator CURTIS. Or a schedule of reimbursement scheduling.

Mr. TALLAMY. It all comes down to that one thing of reimbursement. I obviously have no right to tell a State they can't enter into contracts that have been apportioned. But I certainly have a duty to tell them that if they go beyond a certain level, that I won't be able to pay them on time.

Senator CURTIS. I think this: I think that when any program is inaugurated that matches 9 to 1, that the entity furnishing the nine better exercise some control.

Senator KERR. They do. The controls are specified in the statute, and everybody expects them to operate under the statute and in accordance with the statute, and the Administrator has the obligation to administer the law under the statute, the controls provided in it, and not go afield just because the Federal Government is paying 9 to 1.

Senator FREAR. Mr. Tallamy, what are the States under present status that would be in difficulty if the present policy is not enacted?

Mr. TALLAMY. Reimbursementwise, they would all be in trouble, because they all have vouchers coming in.

Senator KERR. What are the States that would be in the most acute trouble?

Mr. TALLAMY. Well, the bigger ones, of course, have the larger programs and the greater number of vouchers coming in. Ohio, New Hampshire, Florida, Oregon, California, Massachusetts, New York, Illinois, New Mexico, Louisiana, Michigan, and Washington are among the most severely hurt.

Then next are Iowa, South Carolina, Missouri, Connecticut, Texas, Vermont, and Kentucky.

Senator FREAR. Where does Delaware come in?

Mr. TALLAMY. Delaware is a little down near the bottom of the program.

Senator FREAR. I don't know whether that is good or bad. And they are not in as dire need, as you see it, as are some of the other States?

Mr. TALLAMY. It is all relative, Senator. If a big State has vouchers for \$30 million that can't be paid, and a small State like Delaware has vouchers for, say, \$5 million, it may be just as hard—

Senator FREAR. Oh, but we don't get up that far.

Mr. TALLAMY. It may be just as hard for them as it is for the big States. So it is an all-relative thing, and all I can say is they will all be affected.

Senator FREAR. When do you make your announcement to the States of their pro rata share?

Mr. TALLAMY. Of their share?

Senator FREAR. Yes, and the amount?

Senator BENNETT. The apportionment.

Senator FREAR. The apportionment.

Mr. TALLAMY. Usually we have in the past made it in July. This year—July or August—

Senator KERR. For the year after next?

Mr. TALLAMY. Yes.

Senator KERR. You make it in July of 1959 for the fiscal year beginning July 1, 1961?

Mr. TALLAMY. Yes. An easy way to remember that, I think, is to add 2 years to the calendar year. Take 1958; in 1958 we make an apportionment for fiscal 1960, and that is the easy way to remember it.

Senator FREAR. But you had not made your apportionment in this July or August for 1961 as yet?

Mr. TALLAMY. No, sir.

Senator FREAR. Thank you.

The CHAIRMAN. What is the situation in Virginia?

Mr. TALLAMY. Virginia is just about in the middle point, average.

The CHAIRMAN. What does that mean?

Mr. TALLAMY. Well, it means that they have used up all of their 1959 funds for the Interstate System, and are now starting on the use of their 1960 funds.

The CHAIRMAN. They have a balance that they can still use, haven't they?

Mr. TALLAMY. They have their 1960 balance.

The CHAIRMAN. How much?

Mr. TALLAMY. Virginia's unobligated balance as of July 31 was \$108 million.

The CHAIRMAN. And that is better than the average of the States, isn't it?

Mr. TALLAMY. Yes, sir.

Senator KERR. What do you mean, "better"?

The CHAIRMAN. Better because we have money we haven't even obligated.

Senator KERR. You mean you have got a big reserve unobligated portion?

The CHAIRMAN. That is right.

Mr. TALLAMY. But that is just the beginning of fiscal 1960.

The CHAIRMAN. You are no doubt aware of the fact that the General Assembly of Virginia last March unanimously passed a resolution requesting that the Interstate Highway System be slowed down.

Mr. TALLAMY. I have heard of it.

The CHAIRMAN. Virginia is living within its income both on a National level and on a State level.

Are there any further questions?

Senator GORE. That was tantamount to an endorsement of the Byrd amendment.

The CHAIRMAN. Right. The Byrd amendment applies to Virginia as well as it did apply until it was suspended in this bill, and as Governor of Virginia 35 years ago I had something to do with enacting a Byrd amendment for the State. Now, we have a good highway system. We are entirely out of debt.

I think you will agree that our highway system is very good and stable.

Mr. TALLAMY. It is.

The CHAIRMAN. In Virginia, furthermore, the State maintains and constructs the entire road system of 52,000 miles. We are one of three States in the Union which do that, and we do it entirely from gasoline tax and license tax. We do not call on the General Treasury. Deficits of any kind are prohibited and we live within our income.

Are there any further questions?

Senator KERR. No, but I would like to make an observation, that if Oklahoma had 250,000 Federal employees that got paid in Washington, and spent it in Oklahoma, we would be a little further along.

But I would like to remind the chairman that we have the same laws in Oklahoma that you do in Virginia, in that we have no deficits, we have no State debt. We pay as we go, and we send a lot of money back here to help increase the revenue of Virginia by reason of so many Federal employees living over there and spending this Federal pay over there, and we are happy to do it for you.

The CHAIRMAN. The Senator from Oklahoma has made that statement many times. As a matter of fact, many of these employees work in Virginia but do not live in Virginia.

Senator KERR. Some of them live in Maryland.

The CHAIRMAN. The Senator from Oklahoma seems to be unaware that the Pentagon Building has 35,000 employees, and a large majority of them live in the District of Columbia, Maryland, and other places. But he insists upon charging all of them to Virginia, simply because we are next to Washington and Washington is overflowing into Virginia and sending people in there many of whom don't pay any taxes. Frequently we have to furnish them facilities of different kinds at the expense of the State of Virginia.

Senator KERR. I am not charging that; I am giving you credit, I congratulate you.

Senator GORE. Mr. Chairman, I move that we recess for lunch.

The CHAIRMAN. The Senator opposed the new Federal airport in Virginia as vigorously as I could, and that is going to bring 40,000 people into Virginia, and yet I opposed it.

Senator KERR. There is no comparison. It stands alone.

The CHAIRMAN. That is right.

Are there any further questions?

Thank you very much, Mr. Tallamy.

Now, the next witness is the Director of the Budget, Mr. Maurice H. Stans.

Senator GORE. Mr. Chairman, I have a luncheon engagement that is of personal importance to me. I hope the Chair doesn't intend to finish with the Director of the Budget today.

Senator KERR. We have only got until 1 o'clock. I say to the Senator, under the situation over in the Senate——

(Discussion off the record.)

The CHAIRMAN. Mr. Stans.

STATEMENT OF MAURICE H. STANS, DIRECTOR OF THE BUREAU OF THE BUDGET

Mr. STANS. Mr. Chairman, and members of the committee, I have a very short statement. Assistant Secretary of the Treasury, Mr. Laurence B. Robbins, also has a very short statement. Since they both bear on financial matters, I would appreciate it if we could both read our statements and then be questioned together. I think it would help the committee's consideration.

The CHAIRMAN. Proceed.

Mr. STANS. I would like here to discuss with you the important question of providing adequate financing for the Federal-aid highway program. Since other witnesses are available here to testify on the program activities, I should like to limit my remarks to consideration of the budgetary implications of the present situation.

Three years ago, in the Federal-Aid Highway Act of 1956, the Federal Government embarked on a greatly expanded program to build interstate highways, sharing the costs 90 to 10 with the States. The decision was made at that time by the Congress that this and other Federal-aid highway programs should be separately financed on a pay-as-you-go basis. A special highway trust fund was established by law for this purpose, with certain highway user taxes designated for deposit into the fund.

The law further declares, as a policy of the Congress, that whenever it appears that total receipts of the trust fund will fall short of total anticipated expenditures——

the Congress shall enact legislation in order to bring about a balance of total receipts and total expenditures * * *.¹

Last year legislation was enacted which accelerated the Interstate Highway authorizations and substantially increased authorizations for other highways. These changes, and higher cost estimates, have upset the self-financing principle of the Federal-aid highway program. In approving the 1958 Highway Act, the President specifically pointed out the necessity for action by the Congress in 1959 to provide additional funds for the enlarged Federal assistance under the act in order to maintain the Federal-aid highway program on a self-sustaining basis.

In his budget message to the Congress last January and a special message to the Congress on May 13, 1959, the President recommended enactment of legislation to provide additional revenues to the highway trust fund by increasing highway fuel taxes by 1.5 cents, to become effective July 1, 1959, and to remain in effect through the fiscal year 1964.

In the absence of action by the Congress, the highway trust fund will incur a deficit now estimated at about \$500 million in the fiscal year 1960 and, even though no further apportionment is made, the cumulative deficit will increase to about \$1 billion by the close of fiscal 1961. If these and later deficits required to continue the interstate

program on schedule were to be financed from the general fund, it would seriously increase the burden placed on the Government's general budget.

IMMEDIATE BUDGETARY OUTLOOK

The necessity of providing additional revenues to keep the highway fund self-financed becomes apparent when we look at the general budgetary situation. We are in a period when a policy of sound fiscal responsibility certainly calls for the Government to keep its expenditures within its receipts and even to reduce the national debt if possible.

Last January, the President recommended a budget which was closely balanced, with a surplus of \$70 million. Since then, interest costs on the public debt have gone up significantly—as I recently indicated to the House, this increase will be at least \$500 million. As of now, however, it is our expectation that there will be sufficient revenue to cover the added interest costs and, if this were the only unplanned expenditure increase, the budget would still be in the black.

However, there are other factors which will bear heavily on the 1960 budget and are tending to force us into a deficit. On the revenue side, the unwillingness of the Congress to enact a postal rate increase, increased taxes on aviation fuel, and certain other recommended tax changes add up to \$500 million.

On the expenditure side, the Congress has enacted some increases beyond the administration's recommendations, the most significant being \$100 million for veterans' direct loans and the pending housing bill.

While it is too early to be definite on actual revenues or expenditures for the year, the present probability is that the combination of these factors will produce a deficit.

While I am on this subject, I would like to say a word here about the appropriation actions this year. Although the Congress has reduced the President's appropriation requests for 1960 on all but two appropriation bills, the net effect will actually be a negligible change—perhaps even an increase—in expenditures for the year. The reason for this is that the significant reductions in appropriations will presumably occur in military construction and mutual security, which consist principally of long leadtime items, and on which reductions in obligational authority have no notable effect on expenditures until 1 or 2 years later. Reductions in all the other appropriation bills were largely offset by the increase in the appropriations for the Department of Health, Education, and Welfare.

As for 1961, there are built-in increases in existing programs and legislation already enacted or certain of enactment which will add over \$2 billion to the budget. Increases in veterans' pensions, a new program of Government employees' health insurance, and growing expenditures under programs for urban renewal, public works, outer space, defense education, the Development Loan Fund, civil aviation, and so on, will have a material effect on 1961 expenditure levels.

In brief, we are faced with the strong likelihood of deficit spending in 1960 and 1961 unless we take the actions necessary to hold the line.

THE PENDING FEDERAL-AID HIGHWAY ACT OF 1959

The bill before us differs from the administration's recommendations in these two significant respects:

1. It increases the tax on motor fuel by 1 cent for a 22-month period beginning September 1, 1959, as against the President's recommended increase of 1.5 cents for 5 years beginning July 1, 1959.

2. It transfers from the general fund to the highway trust fund the equivalent of a 5-percent tax on passenger automobiles and parts for 3 years—July 1, 1961, through June 30, 1964. The administration has opposed such a diversion.

Notwithstanding these differences we are willing to accept this bill as a temporary measure since:

1. The additional revenue will solve the financial problem of the highway trust fund for the next 2 years without a drastic curtailment of the program.

2. The bill's proposed transfers from the general fund would not take effect until after reports by the Secretary of Commerce on highway costs and equitable distribution of tax burdens are due to be placed before the Congress, early in 1961. The proposed diversion can be reconsidered at that time and appropriate action taken.

On this basis, I urge enactment of this bill at this time without change.

SENATOR KERR. Mr. Chairman, I make the suggestion that while we have Mr. Robbins' statement before us, that we let him read his statement while we wait for Mr. Stans' statement.

The CHAIRMAN. You go ahead, Mr. Robbins.

STATEMENT OF LAURENCE B. ROBBINS, ASSISTANT SECRETARY OF THE TREASURY

MR. ROBBINS. Mr. Chairman, and members of the committee, I am glad to have this opportunity to present the Treasury Department's views on the financing of the Federal highway program.

In the highway legislation which it enacted in 1956, the Congress established certain policies for the long-term financing of the Federal highway program. It determined that the costs of the program should be paid by taxes which are in the nature of user-charge taxes. It set the rates of these taxes so that revenues would be sufficient to pay the expected full cost of the program. By establishing the highway trust fund and directing that total expenditures at any time could not exceed available revenues, the Congress established the policy of pay as you build.

The Treasury Department strongly supports the principle of pay as you build from taxes specifically enacted to pay highway costs, and for that reason continues to feel that the best solution of the financing problem would be the increase of 1.5 cents a gallon in the taxes on motor fuels proposed by the President and urged by him again on several occasions.

It would seem to be unnecessary to review in detail the immediate financial problem. The rate of outgo from the highway trust fund is greater than the income. The balance in the trust fund at the present rate will be exhausted by October, and action is necessary if the States are to be reimbursed for work performed and the program is to be continued without serious interruption.

H.R. 8678 falls considerably short of the President's recommendation. However, by providing a 1-cent tax increase for 22 months it does make possible a continuation of the program for several months

beyond the date on which the reports of the studies of the Department of Commerce are to be submitted to the Congress.

The section in H.R. 8678 providing for transfers of excise taxes to the highway trust fund is one which the Treasury Department cannot regard favorably. We understand that the main purpose of this section is to make possible apportionments for 3 years after 1961 without suspending the Byrd amendment, but the Treasury has been and is opposed, in principle, to the diversion of general revenues for specific purposes, and it is our earnest hope that this will not be part of the ultimate financing plan.

To meet the present situation, however, in the realization that the Congress must weigh the economic impact of a somewhat diminished highway program together with financing plans which are practicable and achievable, the Treasury, while not approving H.R. 8678, will accept it reluctantly in the hope that as a result of continued study, and after the Commerce Department's reports have been submitted, a satisfactory plan for permanent financing of the highway system can be devised which will eliminate the revenue transfers proposed in this bill.

The CHAIRMAN. Any questions?

Mr. STANS. Of course, the committee will have to, will want to change the effective date, since September 1 has already passed. With prompt action, the bill could become effective by September 20.

The CHAIRMAN. Mr. Stans, what is the amount of the diversion of the 5-percent tax on passenger automobiles?

Mr. STANS. It would begin in fiscal 1962. It would amount in that year to \$802 million, and in 1963, to \$831 million, and in 1964, to \$854 million. That is the total of all the diversions.

The CHAIRMAN. That comes about by diverting one-half of the 10-percent tax on passenger automobiles and parts?

Mr. STANS. And five-eighths of the tax on parts and accessories.

The CHAIRMAN. Now, Mr. Stans, the question has been discussed here this morning as to what brought about this crisis that confronts us. Is it your opinion that this is due to the suspension of the pay-as-you-go amendment?

Mr. STANS. As a dollar and cents matter, that is exactly the case.

The CHAIRMAN. Mr. Tallamy testified on June 22 before the Ways and Means Committee. He said:

An action by the Congress at this session regarding the temporary increase in trust funds would result in the following:

First, a 9 months' stoppage of all contracting for new highway construction and right-of-way acquisition.

Does that stem back to the suspension of the pay-as-you-go amendment?

Mr. STANS. Yes.

The CHAIRMAN. He made another statement:

Second, the delayed payment of many vouchers submitted by the States for reimbursement of money already expended by them for outstanding contracts.

Is that due to the suspension of the pay-as-you-go amendment?

Mr. STANS. Yes.

The CHAIRMAN (reading):

Third, nearly cut in two the total interstate highway construction authorized for fiscal years 1960 through 1963.

Is that due to the suspension of the pay-as-you-go amendment?

Mr. STANS. Yes. When I say it is due to the suspension of the Byrd amendment, it is due to that fact plus the increased authorizations that were in the same bill.

The CHAIRMAN. If they hadn't suspended the so-called pay-as-you-go amendment, we would not have this situation confronting us whereby there is great pressure brought to bear to increase the gasoline tax.

Mr. STANS. That is as I see it, that is correct.

Senator GORE. Will the chairman yield there?

The suspension of the Byrd amendment permitted apportionments to be made irrespective of the amount of funds appearing in the trust fund. Those apportionments were made in conformity with the 1956 act. Those apportionments for the Interstate and Defense Highway System have not yet resulted in expenditure, so when Mr. Stans makes the statements he just made, like Mr. Tallamy, he is telling only part of the story.

The apportionments that were made 1 year ago to the Interstate System have not resulted in any disbursements by the Federal Government. As the able chairman knows, it requires a period of approximately 2 years after apportionments for States to make surveys, to let the contracts, for the contracts to be performed, vouchers to be submitted to the Federal Government for reimbursement. Therefore, this is only part of the story. We probably would have this problem today without the 1956 act.

Mr. Tallamy testified that——

Senator KERR. The 1958 act.

Senator GORE. Mr. Tallamy testified, and you heard him, Mr. Stans, that irrespective of the 1958 act, the Congress and the country and the Bureau of Roads would be faced with a slowdown and a stretchout without action.

In many respects we face the same situation now that we faced a year ago. It was made more acute by the acceleration of the ABC programs which have resulted in disbursement. I believe I have made a correct statement.

Mr. STANS. Senator, I just must respectfully disagree, and I think it would be helpful if we took up the points one by one that you have made.

The highway trust fund was fiscally sound, and no apportionments had been made to the States prior to the enactment of the 1958 act.

The trust fund would have been able to meet all of the commitments that had been made under previous apportionments. Now it is true, as the Senator says, that the program may not under the available funds have proceeded as rapidly as the original schedule.

Senator GORE. On schedule.

Mr. STANS. But what I am saying, and I hope this is clear, is that the action of the Congress last year in increasing the apportionments is the direct cause of the fact that we are now unable to make any apportionments, and of the fact that we are now shortly going to be out of money.

Senator GORE. Is it not true, Mr. Stans, that had there been no 1958 act, there would not have been sufficient funds in the trust fund either then or now to make apportionments to keep the highway program on time schedule of the 1956 act passed by the Congress and signed by the President?

Mr. STANS. That is correct, but I submit, sir, that is a different matter.

Senator GORE. I submit it is a part of the same matter.

Senator BENNETT. Mr. Chairman.

Senator BYRD. Senator Bennett.

Senator BENNETT. As one of the few men who stood with the chairman in defending the Byrd amendment in the 1958 act, isn't it fair to say——

Senator KERR. In the 1956 act.

Senator BENNETT. Yes, but I mean when it was eliminated in the 1958 act.

Isn't it fair to say that the reason for the Byrd amendment was to provide that if and when we faced the situation in which there was not money in the trust fund to require a stretchout, or some other device to keep the fund solvent, and from that point of view, I don't think—this is just my personal opinion—I don't think it is fair to say that the 1956 act obligated the Bureau of Public Roads to continue the program on schedule.

I think the effect of the Byrd amendment was to serve notice on the Bureau of Public Roads "If you haven't got the money you have got to slow up the schedule." Isn't that a fair statement, Mr. Chairman?

Senator BYRD. That is a fair statement. It would give the Congress a chance to consider the matter calmly instead of being forced to do something now that perhaps many of us don't want to do, because they have already allocated the money and let the contracts. Naturally those contracts when they are performed by the contractors, payments must be made. If we stay within the pay-as-you-go amendment, that situation would not have arisen.

Senator BENNETT. Couldn't we have known when we passed the 1958 act that we made a situation like today's situation inevitable, when we took the Byrd amendment off?

Senator GORE. It was already inevitable.

Senator BENNETT. It seems to me under the 1956 act the Bureau had the responsibility to slow down the program if it didn't have the money. When we lifted the Byrd amendment and said "You've got to go ahead and make the apportionment whether you have got the money or not", we inevitably created the situation we face today, when we knew in advance we were not going to have the money. We went ahead on that basis. Now we've got to meet and provide the money to make up the deficit, and it seems to me it is just that simple.

Mr. STANS. That was pointed out by the President in his signing statement when he signed the bill in 1958.

Senator KERR. I want to get the rest of the act that we are talking about. Isn't there in the statute somewhere, if you or your counsel will please find it for me, a statement to the effect that one of the purposes of the Byrd amendment is so that Congress will have information as to whether the expenditure and income of this fund were in balance, and if it were not to do what is necessary to put it in balance?

Mr. STANS. Yes.

Senator KERR. Perhaps Mr. Enfield can help me on that.

Mr. ENFIELD. I think you have reference to the provision of the Highway Revenue Act of 1956 which is 209; 209(b) declares a policy. It says:

It is hereby declared to be the policy of the Congress that if it hereafter appears (1) that the total receipts to the trust fund exclusive of advances under subsection (d) will be less than the total expenditures from such fund exclusive of payments under such advances, or (2) that the distribution of tax burden among the various classes of persons using the Federal aid highways or otherwise deriving benefits from such highways are not equitable, the Congress shall enact legislation in order to bring about a balance of total receipts and total expenditures for such equitable distribution as the case may be.

Senator KERR. Yes, that is the language that I also was looking for. I remember some such language in the bill, and if I understand it, it was the declared policy of the Congress that if the total receipts were less than the total expenditures, that Congress shall enact legislation in order to bring about a balance of total receipts to total expenditures.

That is in the same act that says they will not spend it until they get it, isn't it?

Mr. STANS. Yes.

Senator KERR. So that we are operating under all of the law and not just the Byrd amendment, aren't we?

Mr. STANS. I understand that we are, sir.

Senator KERR. And the action of the Congress here last year in accelerating the program was in order to bring the construction up to the schedule set forth in the 1956 act, wasn't it?

Mr. STANS. Mr. Tallamy replied on that.

Senator KERR. That was your testimony, wasn't it, Mr. Tallamy, aside from the increase in the ABC apportionment?

Mr. TALLAMY. Yes.

Senator KERR. So that the Congress in the exercise of their judgment saw fit to accelerate the program, mindful I'm sure of all the provisions of the law or one which said they couldn't pay it out unless they had it. Another which said that if the expenditures got to where they were greater than the receipts, that the Congress shall enact legislation in order to bring about a balance of total receipts and total expenditures, and that is the purpose of this act, isn't it?

Mr. STANS. Yes, sir, but may I point out that at the time the Congress last year increased these authorizations, it also specifically waived the Byrd amendment for a period of 2 years.

Senator KERR. It specifically waived that part of it which said that they could not authorize or obligate the expenditure until they had the money in the trust fund.

Mr. STANS. They couldn't apportion it until the moneys were in the trust fund.

Senator KERR. Do you think that was an act of irresponsibility, Mr. Stans?

Mr. STANS. Certainly not. I think it was a very responsible act to put the Byrd amendment in the bill in the first place.

Senator KERR. Do you think that the act of last year had any less dignity or significance than the act of 1956?

Mr. STANS. I certainly assumed that it was the prerogative of the Congress, but it left these disturbing financial repercussions.

Senator KERR. The President approved the act, didn't he?

Mr. STANS. He signed the bill.

Senator BYRD. Senator Frear?

Senator FREAR. I have no questions.

Senator BYRD. Senator Williams?

Senator Anderson?

Senator Douglas?

Senator DOUGLAS. This bill provides for an increase in the Federal gasoline tax from 3 to 4 cents. Is there an increase in the tax on diesel fuel?

Mr. STANS. Yes.

Senator DOUGLAS. How much is that increase?

Mr. TALLAMY. The same thing.

Mr. ROBBINS. This is an increase in the tax on motor fuels. That is the way it is referred to in the act.

Senator DOUGLAS. From 3 to 4 cents and that applies to diesel fuel as well as on gasoline. Is there an increase in the tax on lubricant, lubricating oil?

Mr. STANS. No.

Senator DOUGLAS. What is the present tax on lubricating oil?

Mr. STANS. Six cents a gallon.

Senator DOUGLAS. How much does it yield?

Mr. ROBBINS. The estimate for fiscal 1961 is \$74 million.

Senator DOUGLAS. May I ask why you didn't increase the tax on lubricating oil? You increase the tax on gasoline by one-third from 3 to 4 cents. Why didn't you increase the tax on lubricating oil from 6 to 8 cents? That would have raised \$24 million.

Mr. STANS. The lubricating oil tax does not go into the highway trust fund. It goes into general revenues.

Senator DOUGLAS. Why did you put it there?

Mr. STANS. It is not there now. That is my answer, sir.

Senator DOUGLAS. Would you recommend it being put in?

Mr. STANS. No.

Senator DOUGLAS. That would raise 72 plus 24, 96 million.

Mr. STANS. The administration and the President have consistently opposed the transfer of existing general fund revenues into the highway funds.

Whatever we do there increases our problem in the general fund.

Senator DOUGLAS. It seems to me anomolous that you turn over the gasoline and diesel fuel taxes to the highway fund but don't turn over lubricating oil receipts.

Mr. STANS. All I can say, sir, is that it was an anomaly created by the original act.

Senator DOUGLAS. Mr. Chairman, I suggest there is \$100 million lying around here that we might pick up, even if we were to allow the existing \$72 million to remain in the general fund, we could at least take a \$24 million increase and put it there.

Mr. ROBBINS. I think the main reason why lubricating oil was not treated in the same way as motor fuels in the first place was that such a large percentage of lubricating oil was not going into automotive use. It is used in industry.

Senator DOUGLAS. What portion of it?

Mr. ROBBINS. I haven't those figures, but I would think it was——

Senator GORE. Approximately one-half, I think.

Mr. ROBBINS. Yes.

Senator DOUGLAS. Now in committee in the House there was added an amendment in which it was stated that it is the policy of Congress to take over from the States the various State toll roads which have been constructed. That was eliminated on a teller vote in the House yesterday by I believe 170 to 84. What is the position of the administration on that?

Should this amendment be reinstated or should it be allowed to rest where it is?

Mr. STANS. The administration proposes that the amendment not be considered in this bill: the bill as passed by the House be passed by the Senate.

Senator DOUGLAS. Mr. Stans, I always marvel at the way you can shift the center of attention from authorizations to appropriations, from authorizations, appropriations and expenditures to suit the particular purpose that you have at hand.

You realize of course that the Congress has already cut the President's appropriations by 402 million, cut the President's requests for military appropriations probably \$200 million more, foreign aid will be cut by \$1.2 billion so that we are going to cut the President's budget by 1.8. You also realize that we are cutting his new obligational authority outside the appropriating process by about \$800 million, so that we are going to cut the estimates of the administration by well over \$2 billion.

But now you are saying that doesn't count because it does not take effect this coming year, although in connection with housing you said that it wasn't the appropriations in the current year that mattered but the authorization up to the year 2,000 that mattered.

So as I say, I think you are shifting the field of battle. But on this question as to toll-road expenditures in a given year, even though appropriations have been made, that lies within administrative discretion, does it not, and if you think that the Government is being tempted to deal and expend money in excess of receipts, this temptation can be avoided by the simple device of the administration not yielding; isn't that true?

Mr. STANS. I wish it were that simple, sir. It really isn't. We have too many reasons for spending the money that the Congress has appropriated.

Senator DOUGLAS. I notice that you are always ready to cut down on expenditures for welfare activities. I would like to see you cut down on some of these construction activities, too. Possibly foreign aid could be reduced, too.

Mr. STANS. Might I answer the Senator's first comment about shifting the point of view of the subject of discussion. I am merely making the point here, Senator, that the reductions made by the Congress in appropriations this year, and my figures are somewhat different from yours, but I don't think that is pertinent to the point, do not help the—

Senator DOUGLAS. I have a Congressional Record which keeps the box score each morning.

Mr. STANS. May I submit, Senator, that I reluctantly must say that I disagree with the box score appearing in the Congressional Record?

Senator DOUGLAS. I wish you would file for the record, and I will ask to have it included in the Congressional Record, what you think is wrong with this.

(When received the material will be made a part of the committee files.)

Senator BENNETT. Are we here to discuss the tax bill?

Senator DOUGLAS. I admit this is somewhat extraneous but the Director of the Budget brought it up and I carry on a little subtle propaganda and I thought that since he did it was proper for me to reply.

Senator BENNETT. May the Senator from Utah make the point that we are here only under sufferance from Oregon who gives us until 1 o'clock to operate. Thereafter we may not operate, and I think we have had a very effective filibuster this morning to prevent the committee from considering the bill, and I think that ought to be put into the record.

Senator DOUGLAS. Did the Director of the Budget bring up this statement?

I would not have mentioned this had it not been for Mr. Stans raising this, sir.

Mr. STANS. I'm sure Senator, it was you who raised the subject and I think the record will show that.

Senator DOUGLAS. May I read your statement?

Mr. STANS. I'm sorry, I was referring to the Congressional Record when I said that.

Senator ANDERSON. The Congressional Record was referred to because of what you said.

Mr. STANS. Yes, I understand that.

Senator DOUGLAS. Although Congress has reduced the President's appropriation on all but two appropriation bills, the net effect will actually be a negligible change, perhaps even an increase in expenditures.

The reason for this is significant reduction in appropriations, mutual security which consists of long leadtime, and on reduction in obligational authority which will not affect expenditures until 1 or 2 years later. Reductions in all the other appropriations bills were largely offset by increases in the appropriation of the Department of Health, Education, and Welfare. In 1961 there are built-in increases in the program, increases in veterans' pensions, and a new program of Government employees' health insurance, growing expenditures—I went into that simply because the Director of the Budget though he wasn't testifying on those subjects, brought these items in.

Senator ANDERSON. What connection does that have with road-building?

Mr. STANS. That is what I have been hoping to be able to say for the last 5 minutes, Senator. Just this. If we don't have legislation that produces some revenues for the highway trust fund, the highway trust fund will be in default by a very substantial amount of money, about a half billion dollars this year.

In that case the only source to look to to relieve the Government's promises is the general fund.

I am making the point, and I believe it to be correct, that the general fund is in jeopardy this year.

We are probably going to have an unbalanced budget this year even with the highway fund on a self-sustaining basis. I was making a further point simply to clarify the matter in the minds of anyone that the appropriations reductions made by the Congress this year,

and I don't question the desirability of them at all, had no effect of any consequence on expenditures in 1960. And I make that point simply because it is the relationship between revenues and actual expenditures that determines whether we have a surplus or a deficit in the fiscal year.

Senator McCARTHY. Will the Senator yield to me for a question at this point?

Senator DOUGLAS. Yes. I am through with my questioning.

Senator McCARTHY. Mr. Stans, in the statement which Senator Douglas just read you have made reference to the fact that some of these reductions don't mean much because they are long-term in the obligational authority. You make particular reference, however, to the appropriations for Health, Education and Welfare. Now within the last 2 weeks the President vetoed the public works bill. This is one of those involving long-term obligational authority, is it not?

Mr. STANS. Yes, pretty much so.

Senator McCARTHY. And you put great stress upon the figure of \$800 million although much of this would not be spent for many years. Yet the administration did not feel the appropriation for Health, Education, and Welfare which involved an increase of \$250 million, most of which I assume you intend to spend in 1961 or 1960. Why did you veto the one and not veto the other since the point of balancing the budget seems to be so important?

Mr. STANS. The increase in HEW appropriation will not affect expenditures in 1961 to a proportionate extent because a considerable amount of that increase was in construction as well.

Senator McCARTHY. But you say in your statement here that this increase will have a material effect on the 1961 expenditure level. Now you say it will not.

Mr. STANS. I didn't say that it would have a material effect on the 1961 expenditure level.

Senator McCARTHY. You say "increase in expense, defense, education, Government health insurance." You refer to the increase in the appropriation to the Department of Health, Education, and Welfare?

Mr. STANS. Yes. I refer merely to that.

Senator McCARTHY. These reductions were offset you said by this appropriation, which clearly indicates that you expect or you want us to spend this in 1961.

Mr. STANS. I had no such intention and I hope the statement doesn't convey that thought. I am merely saying that the reductions in appropriations made by the Congress were in two specific appropriations by and large, because all of the other smaller appropriations were reductions offset by an increase in HEW.

Senator McCARTHY. But this wouldn't have any significant effect anyway.

Mr. STANS. I am merely analyzing this matter, because I think it would be helpful to this committee to understand the physical situation of the Government in considering this particular piece of legislation.

Senator McCARTHY. That in turn the effect on the budget you would say, that neither the increased appropriation for Health, Education, and Welfare or the increased appropriations for public works would have any significant effect on the budget.

Mr. STANS. On the 1962 budget the two together would have an effect of about \$100 million.

Senator McCARTHY. Why did you veto the one and not veto the other?

Mr. STANS. Senator, I don't veto a bill. That is the President's judgment.

Senator McCARTHY. Why do you advise? Could you explain why your administration, the administration of which you are a part, vetoes one and not the other, since both included nonbudgeted items.

Mr. STANS. I can't explain all of the reasons in the President's mind for vetoing this bill, but I am sure that it was the basic human consideration that health and education and welfare are the kinds of things that in the present fiscal situation in government are possibly more important than public works?

Senator KERR. Will the Senator yield?

Senator McCARTHY. Was the President not concerned about these things when he drew up the budget?

Mr. STANS. Certainly he was.

Senator KERR. I think in justice to the record that he recommended veto of both. That is my understanding.

Senator McCARTHY. Mr. Stans did.

Senator KERR. I think in justice to him, he recommended vetoing both.

Mr. STANS. I would rather not comment on that.

Senator BYRD. The hour of 1 o'clock has arrived. We cannot legally sit even for a few minutes.

Senator KERR. Mr. Chairman, I move we go into a short illegal executive session.

Senator BYRD. The Chair is unable to say when we can reconvene but there will be another public session. Senator Gore has a proposed amendment.

Senator ANDERSON. Is it not true that while we are not legally sitting, there is no rule of the Senate that keeps us from taking testimony? It only keeps you from taking votes.

Senator McCARTHY. We cannot keep any official record.

Senator KERR. We can continue on an informal basis.

Senator BYRD. We can't take the testimony.

Senator ANDERSON. You certainly can take it down. It is done every day in the year.

Senator KERR. What we can't do is take official action.

Senator GORE. I think this is one of the most important issues to come before the Congress this year. We can't deal with it summarily. It requires attention and consideration and a public record should be made.

Senator ANDERSON. The Senator from Tennessee knows that you can make a public record. We ought to finish with these two witnesses I would think, and then do what you wish.

Senator GORE. I understood from the chairman that we could not.

Senator BYRD. I have no objection, but he was informed as he understood it by Senator Johnson over the telephone, that we could not meet legally after 1 o'clock and take down the record.

Senator KERR. I make a motion that we remain in session for a brief period of time illegally.

Senator BYRD. All in favor of meeting illegally, say "aye."

(Chorus of "ayes.")

Senator GORE. That would put us in the same status of contract control.

Senator KERR. Is the Senator from Minnesota finished?

Senator McCARTHY. You finish.

Senator KERR. I just made that one observation.

Senator BYRD. The Senator from Minnesota may proceed on an illegal basis.

Senator GORE. I would like to ask one question of Mr. Robbins and then yield temporarily to my colleague from Minnesota.

Mr. Robbins, in your statement, you say:

The section in H.R. 8678 provided for transfer of excise taxes to the highway trust fund is one which the Treasury cannot regard favorably.

Yet you endorse the bill?

Mr. ROBBINS. It is explained later on in the statement, by saying that this is not what we want.

Senator GORE. I understand.

Mr. ROBBINS. But we accept it.

Senator GORE. But you do endorse the bill?

Mr. ROBBINS. We accept it; yes.

Senator GORE. Now this second sentence in that paragraph reads as follows:

We understand that the main purpose of this section is to make possible apportionments for 3 years after 1961 without suspending the Byrd amendment.

Senator BYRD. We are discussing procedure.

Senator GORE. That is all right, I don't object. I just don't want to waste my time.

Senator BYRD. We are listening. Go ahead.

Senator GORE. I was reading a statement which Mr. Robbins has made which in my view is incorrect, and unsupportable and I want to ask him about it. It refers to the suspension of the Byrd amendment:

We understand that the main purpose of this section is to make possible apportionments for 3 years after 1961 without suspending the Byrd amendment.

Now will you be so kind as to say to the committee whether you really mean to say that, and if so why?

Mr. ROBBINS. The discussion in the House Ways and Means Committee at the time that this proposal was made is the basis for my statement that our understanding of the explanation of the proposal is that the proposed diversion of revenue was in order to make it possible to make apportionments within the expected revenue.

Senator GORE. I notice that you make this statement about some discussion in the Ways and Means Committee. Is it a factual statement or is it not?

Mr. ROBBINS. It is my understanding of it, sir, the understanding that the Treasury Department has.

Senator GORE. Will you take the bill and show us just how this is going to apply to permit apportionments, to make possible apportionments for 3 years after 1961?

That is 1962, 1963, and 1964. Will you be so kind as to show us that?

Mr. ROBBINS. I don't know that there is anything in the bill that brings that out.

Senator GORE. Then why do you make the statement.

Mr. ROBBINS. The apportionments will be made in 1959 and should be made now for the fiscal 1961, apportionments will be made at some time during the 1960 period for fiscal year 1962, and the following years in a similar way.

Senator GORE. But the statement you make here is with respect to the 3 years after 1961, and will you be so kind as to either show us that this is a correct statement and how it is correct, or say that it is a misunderstanding. I would appreciate it.

Mr. ROBBINS. The bill provides for these transfers for 3 years following fiscal year 1961.

Senator GORE. When do the gasoline taxes end?

Mr. ROBBINS. June 30, 1961.

Senator GORE. Apportionment depend upon what?

Mr. ROBBINS. Under the Byrd amendment? The Byrd amendment governs expenditures that are expected to be made for the years that are affected.

Senator GORE. In the first place apportionments are based upon the amount of money in the fund and which the Secretary of the Treasury calculates to be in the fund according to law at a given time.

Mr. ROBBINS. I think the law requires the Secretary of the Treasury to certify that the expenditures be made under the apportionments will be within the revenues available in the trust fund.

Senator GORE. Is it not true, that the transfers and levies contained in H.R. 8678 are for the purpose of making limited apportionments available for 1961 and 1962?

Mr. ROBBINS. The increase in the motor fuels tax is for the purpose of making limited apportionments for 1961 and 1962.

Senator GORE. So are the transfers.

Mr. ROBBINS. The transfers are to cover apportionments to be made for the years following 1961.

Senator GORE. I don't want to press the point.

(Discussion off the record.)

Senator McCARTHY. I would like to take up the question I raised before yielding to the Senator from Tennessee. I understood you said the increases which Congress has voted in appropriations for the next fiscal year, would if taken altogether in actual appropriations amount to about \$300 million.

Did you say that the actual appropriations would not amount to much over \$100 million?

Mr. STANS. I'm sorry, the gentleman has me confused with both figures. I don't recall saying either one.

Senator McCARTHY. I was asking you about the increased appropriation for health, education, and welfare. You said the actual expenditures for the next fiscal year would not come to the full \$259 million.

Mr. STANS. I said speaking of those two bills alone, the appropriations for health, education, and welfare and the appropriations for public works, that the expenditure effect in 1960 would be about \$100 million.

Senator McCARTHY. Taken altogether?

Mr. STANS. Those two bills together.

Senator McCARTHY. And yet you said in your testimony that the reductions which the Congress had made would have the negligible effect, and that altogether there might even be an increased

expenditure. In other words is it your opinion that the reductions the Congress has made would not offset what you estimate to be a \$100 million increase in expenditures as a result of the increases which Congress has made?

Mr. STANS. That is correct. Taking all of the appropriations it is my estimate that there will be a very small decrease in expenditures in 1960.

Senator McCARTHY. We decreased—if we decreased the mutual security appropriation by \$1 billion there would be less than \$100 million reduction in expenditures the next fiscal year.

Mr. STANS. That's correct.

Senator McCARTHY. Altogether all of the reductions made by Congress will not in practical effect reduce expenditures by less than \$100 million?

Mr. STANS. That is the estimate and I will be glad to put a table to that effect in the record representing our best estimates as of the moment.

Senator McCARTHY. I would like to have that estimate. Then at worst Congress will not increase expenditures—by what do you estimate that reduction in amount? How much would the actual expenditures—

Senator BYRD. Will the Senator yield for a moment? We have gotten word from the majority leader that even taking testimony is illegal.

I would suggest that the Senator from Minnesota finish out his present line of questioning and he can resume it when we sit legally.

Senator McCARTHY. Since we have been illegal up to this point, what is the estimate of reduction that can be brought about as a result of the reduction in appropriations which the Congress has approved?

Mr. STANS. For fiscal 1960 it is my estimate that there will be practically no reduction in expenditures as a result of congressional action in the 1960 appropriation. The reduction in expenditures which results from cutting the appropriations will occur in 1961 to some degree and in a larger degree in 1962 and 1963.

Senator McCARTHY. Yet the increases which Congress has approved, you say that almost 50 percent of that will be reflected in increased expenditures in the next fiscal year?

Mr. STANS. Yes. I would like to make this clear.

The reductions are pretty much in items that have a long leadtime, that take 2 or 3 years to spend. The increases in defense are partially in military personnel, in HEW, for medical research, and those items tend to go out that much faster.

Senator McCARTHY. But these expenses will be accelerated and the administration now believes that the congressional increase in appropriations for health, education, and welfare seem to be necessary to meet the needs.

It means you are going to spend the money.

Mr. STANS. No; I don't mean that, that is subject to the statement the President signed at the time he signed the bill, which directed the Secretary of Health, Education, and Welfare to be sure that the money for medical research was not spent at a rate in excess of the rate which would really be productive.

Senator McCARTHY. Mr. Chairman, I will rest at this point.

Senator BYRD. We will resume as soon as Mr. Morse allows us to.

Mr. ROBBINS. Mr. Chairman, may I make a very minor correction in a statement I made in answer to a question of Senator Douglas for the record about lubricating oil? I said that the estimate for 1961 was \$74 million. It is the estimate for 1960.

(Whereupon, at 1:15 p.m. the hearing was recessed, to reconvene at 3:15 p.m. of the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order. Senator Gore, do you have any further questions?

Senator GORE. The Senator from Minnesota was questioning. However, I will be glad to proceed.

Senator BYRD. Do you want to present your amendment now and discuss it?

Senator GORE. I want to ask a few questions first. Mr. Stans, are you acquainted with the recommendation of the administration submitted on March 11 of last year with respect to the highway program?

STATEMENT OF MAURICE STANS—Resumed

Mr. STANS. Generally, but I don't have the specifics in mind. I don't have a copy of it here.

Senator GORE. Are you aware that in this recommendation the President recommended that the Byrd amendment be suspended for 3 years?

Mr. STANS. Yes.

Senator GORE. Then when the Congress acted in 1958 in suspending the Byrd amendment, it not only acted with the approval of the President but upon the recommendation of the President.

Mr. STANS. Yes. They increased the apportionments beyond those which the President had in his request by, I believe, a considerable amount, but there is no question the President had recommended an increase in the highway program last year, and I believe——

Senator GORE. I am not complaining about it. I just didn't quite get the point why you were making so much of the fact this morning that the Byrd amendment was suspended for 1 year when the President recommended that it be suspended for 3 years?

Mr. STANS. I think actually it was suspended for 2, but I am not here, Senator, for the purpose of pointing any fingers or anything like that. Just to say that the action taken last year does result in the financial predicament which the President and I am sure the Members of the Congress understood last year would have to be dealt with this year.

Senator GORE. And in doing so, the President approved the action, though he had recommended that it be suspended for a longer period than the Congress suspended it for.

Mr. STANS. Senator, offhand I am not sure whether I recall whether his recommendation was for 1 or 2 or 3 years.

Senator GORE. I give you my recollection that it was 3 years. I would assume that is correct.

Mr. STANS. I would accept that.

Senator GORE. I don't wish to belabor the point but it seems to me there was no point in belaboring it in the first instance. Congress had acted to continue the highway program on schedule as to the Interstate System, and had acted to accelerate the construction and improvement of highways on the primary, secondary and urban systems as a means of relieving severe unemployment.

In so doing it will obviously have an effect in future years as it has had an effect now.

Mr. Chairman, I only cite this to indicate that much ado was made of the fact that the Congress had brought us into this terrible dilemma, when in fact the Congress acted upon the recommendation and with the support and concurrence and approval of the President in this regard.

Senator BUTLER. Will the Senator yield?

Senator GORE. Yes.

Senator BUTLER. Was that the testimony of Mr. Stans? I thought you said that the President had asked for a suspension but on a very modest basis, and then the Congress had greatly increased the request of the President, and had given more, much more than he had asked for.

Mr. STANS. That is true.

Senator BUTLER. I think we ought to have both figures. What did the President want and what did he finally get?

Mr. STANS. I don't have them and my memory doesn't cover them, but I am sure that Mr. Tallamy who is here, could supply them right now.

Senator GORE. I have copy of Mr. Rothschild's testimony in which, on page 596 he read from the President's message as follows:

In the next few days the administration will ask the Congress to amend the Highway Act to suspend certain expenditure limitations for 3 years. If enacted, this amendment will permit apportionment to the States of an additional \$2,200 million of Federal funds, all of which will be placed under contract during the calendar years 1958 to 1961. Adoption of this amendment will permit the apportionment during each of these years of a total of \$2,200 million of Federal funds for interstate-highway construction alone.

Senator BUTLER. If that recommendation had been carried out, would this bill be necessary?

Senator GORE. Yes.

Senator BUTLER. I mean to what extent, Mr. Stans? If you had carried out the recommendations of the President to make it \$2,600 million over a period of 3 years, what is the difference between that program and the program that has been approved by the Congress last year?

Mr. STANS. Senator, that is an intricate computation. All I can say at the moment is we would be short of money and we would not be able to make the apportionments to the States at this time, even if the administration bill had been adopted.

Senator BUTLER. And you would need the cent increase in the gasoline tax to cover that?

Mr. STANS. We might not need a cent. I think a little less than that would do it.

Senator BUTLER. Do you think a half a cent would have done it?

Mr. STANS. It depends upon what is done after the first 2 years for which the 1 cent applies.

If the same provisions were to be considered as are in this bill for the diversion of revenue after the first 22 months, it is possible that a half cent or three-quarters of a cent would have been adequate to cover the administration recommendation.

Senator BUTLER. Inasmuch as the question was raised, I thought the record should be complete on the point, and I have no further questions.

Senator GORE. I say to the Senator from Maryland that I saw no point in the question being raised this morning, but so much point was made of it that I thought the record should be complete.

Senator BUTLER. Then I thought it should be amplified so now I guess we are all happy.

Senator GORE. That is fine. The action of the Congress last year is not solely responsible for the predicament we are in.

We would have been in a similar predicament if the Congress had not passed the act and I think Mr. Stans and we all agree now and I am willing to forget the subject if you are.

Mr. STANS. I think the problem is how do we finance what we committed ourselves last year to do?

Senator GORE. The problem is not only financing the commitments already made, but the problem is also to provide for apportionments in order that the highway program continue. And in that connection I raised some questions with Mr. Tallamy this morning as to when the program would be completed. My tables of calculation now indicate that the highway system will not be completed under the proposed program until 1977. Do you agree with that, Mr. Tallamy?

Mr. TALLAMY. That is pretty close to the thing, yes. I think I would agree to it, between 1976 and 1977.

We will split the year and then I will agree with you.

Senator GORE. We won't fuss about that. Mr. Stans, I find that in your testimony before the House that you recommended the gasoline tax as being not only the easiest way to collect this money, maybe I should say to extract it, but the most equitable way. Now how did you arrive at a Federal sales tax on gasoline which is already the heaviest taxed essential commodity, in some States being taxes 100 percent of the refinery cost, is an equitable tax?

Mr. STANS. It follows the principle which I believe the Congress has enunciated and applied in the past, that the users or the beneficiaries of a special service of Government should pay for it.

Now, granted there are studies underway which will determine more precisely who the beneficiaries of the Federal highway program are, in the meantime the Congress itself has selected the gasoline tax as the one in the first place.

Senator GORE. Because Congress levied some tax on gasoline, I wouldn't think that could be used as an argument that it should be increased ad infinitum.

Mr. STANS. No; and I would agree that there is a limit of course. This was a considered judgment in the executive branch after a great deal of study on the problem, and it was recommended as being the most practical and the most equitable solution to the financial difficulty we are in.

Senator LONG. May I interrupt at that point?

Senator GORE. Yes, sure.

Senator LONG. Mr. Stans, this is a matter which I wanted to make reference to before you came here. It has always been my position, even when we set up this highway program, that the excise tax on new automobiles and also on automobile parts should be considered in the same sense as a gasoline tax, an excise tax on highway users. That was not the prevailing view of the Congress. I voted against the whole program, because I felt it was unsound to look upon only the tax on gasoline as being a tax on highway users when I thought these others fell into the same category.

Can you see some logic to that position, that those are also excise taxes on highway users?

Mr. STANS. I have not honestly been able to see logic in that position, particularly from the standpoint of this program, and I will tell you why. The tax on automobiles existed as one of the excise taxes with which we finance the Government before the highway program came into being. We have a total collection from excise taxes of something like 8 or 9 billion dollars a year that are a necessary part in carrying on all the things the Government does.

Senator GORE. I would like to break in there just to say that at the same time we were doing this, which you have described, the primary, the secondary, and the urban highways were financed out of the general fund.

So if we are going to go back, we need to go back both ways.

Mr. STANS. Yes, we would, but at the time the highway fund was created, there were some existing general fund taxes that were transferred to the highway fund. The highway fund was not financed entirely by new taxes, only a portion of it.

Now the problem, Senator, is simply one of the revenues that the country needs to carry on its activities. The same logic that would argue that the automobile excise tax should be transferred to the benefit of automobile users would also be applicable to transferring the tax on electric appliances to the benefit of those users or the tax on tobacco or liquor.

Senator LONG. Here is the point I had in mind, Mr. Stans. At the time we set all this up and voted an additional tax on gasoline, I voted against the additional tax on gasoline and I voted against the conference report when that tax was added on to that at the time it came over from the House, because it seemed to me that we had certain taxes that we had regarded as temporary taxes to begin with at the time that they were enacted, taxes which were to be taken off at the first opportunity, and it seemed to me as though it would be fair, particularly in view of the fact that in years just immediately preceding we had taken off about \$9 billion in taxes, to just transfer these taxes which had been regarded as temporary in some respects, in addition to some of the other taxes we were putting into the fund, if that were the case we wouldn't have had to put the first 1 penny of additional tax on gasoline.

Of course, even then the amount in the fund would greatly exceed the amount that was used for highways, and there could be some reduction of some of these excise taxes, particularly on automobiles, which most people seem to feel we should deal with first.

Now if we adjust it that way, we would have plenty of money to look after all of our highways. Now when you are looking upon this thing as just a matter of saying that the Government is short on

revenue, I personally would prefer to give you revenue in some other connections or on some other tax bills, which I am not proposing here but I will propose later on.

There are other ways I would propose to vote for the Government to get additional revenues in preference to this gasoline tax. I was just asking you if you could recognize that a tax on new automobiles is just as much a tax on a highway user as a tax on a tire or a tax on lubricating oil or a tax on gasoline.

If a man is not using the highways he is not going to have the automobile. That is the only purpose he could buy it for.

Mr. STANS. As I say we have a great many excise taxes and the minute we start to earmark the use of those taxes for specific purposes, we will be using the cost-meeting tax for some purpose or other, and the same logic applies.

Senator LONG. But the point is that you suggested to us that this program should be taxed, should be financed by excise taxes on the user of the service.

It doesn't seem to me as though you can have it both ways. If you want to finance it with an excise tax on the user of the services it makes just as much sense to take some excise tax that we already have and apply the revenue from that to the service, as it would to levy an additional excise tax on the same user of the service.

At least that's how it seems to me.

Senator GORE. I agree with your statement that earmarking is illogical. It is without rhyme or reason. But it was the recommendation of the Administration, the former Secretary of the Treasury Mr. Humphrey, that this fund was created and certain revenue earmarked for that purpose. I agree with you that it is senseless, but in any event the administration recommended it. Now I notice you say in your testimony that:

Here is an area in which I believe you can reasonably well isolate the benefits that come from the highway program to the people who use the highways.

Do you seriously maintain that?

Mr. STANS. I made the analogy before the House committee of the postal service. I think there is a reasonable parallel here. The people who use the postal service do so at their request and they should pay the costs of it.

Senator GORE. You are aware that then President Eisenhower recommended this and General Clay recommended this program as being necessary for national defense.

Mr. STANS. All I can do is plead the fact that I have no familiarity with the events at that time.

Senator GORE. Do you think now that the tire industry benefits from development of improved highways?

Mr. STANS. The tire industry?

Senator GORE. Yes; Goodyear, Firestone.

Mr. STANS. I am sure the users of tires benefit from improved highways.

Senator GORE. If better highways bring more travel, more consumption of tires, don't you think that would make Goodyear and Firestone bigger and better?

Mr. STANS. I suppose that factor would tend that way. I don't want to be facetious but I suppose good highways make tires last longer, too.

Senator GORE. It may increase the speeds and they may not last quite so long, if we get into that. How do you relate the benefits which Goodyear and Firestone would derive from highway improvement to a tax on gasoline. It is a little farfetched; isn't it?

Mr. STANS. I'm not sure how I can answer that, Senator.

Senator GORE. It is a little farfetched. Now, let's take General Motors. Do you think that the automobile industry will benefit by the completion of this highway program, both interstate, primary, secondary, and urban.

Mr. STANS. Over the long run I am sure that the industry would benefit.

Senator GORE. Then how do you relate that benefit to them to an increase in the tax which every man who buys a gallon of gasoline must pay?

Mr. STANS. Senator, that is a study which the Department of Commerce has underway.

Senator GORE. But you preempted the study. You said this is equitable. You have just said here on page 172:

Here is an area in which I believe you can reasonably well isolate the benefits that come from the highway program to the people who use the highways.

I have asked you to isolate the benefits to General Motors, to Ford, to Chrysler, to Firestone, to Goodyear, to the oil industry itself. Your argument just doesn't stand up.

Mr. STANS. Senator, I think you can find indirect benefits to the economy in a great many ways in this program.

Senator GORE. So do I.

Mr. STANS. But I think it is provable by experience that the highway user, the individual who uses the highways regularly, is a very great beneficiary and has much lower costs by reason of using the highway of the type that we are building in this system. That is why trucking companies and others use toll roads, because they are still more economical than the other ways that are available to them.

I don't think it is too debatable that the user of a car benefits very greatly from the use of a highway, a superhighway system.

Senator GORE. So does the manufacturer of the car?

Mr. STANS. That doesn't make it inequitable to charge the tax to the man who uses the highway, and that is what I said was my judgment.

Senator GORE. I think it is inequitable when you expect the people who must earn their living by using the highways to pay then on the same basis without any respect whatsoever to ability to pay, particularly on an essential commodity that already, in some States, bears a 100 percent tax. So far as I know, the only luxury items are liquor and tobacco that have such a tax as gasoline already bears. This is unfair.

It is highly inequitable. Yet you describe it as equitable and say you can reasonably isolate the benefits to the users of the highways.

I reject that. But even though that be true, and even though we accept that philosophy, the highway user is already paying \$1,600 million in excess of the amount this year that is being used on highways. Then how would you justify that.

Mr. STANS. He is paying it as a taxpayer. That is part of our taxation system. So are the users of a great many other taxed

products. Now, if this gets into the question of the equity of the whole tax system, I think very well we might all have a great many ideas on that.

Senator GORE. I didn't raise it. You are the man who said this was equitable.

Mr. STANS. I said in my opinion—

Senator GORE. You introduced the subject.

Mr. STANS. I said in my opinion it was equitable, and unfortunately the Senator disagrees with me.

Senator GORE. I think it is highly inequitable.

Senator LONG. Here is a question I wanted to ask along that line. While I have been on this committee this has been in line with the administration's recommendation, we have voted to reduce taxes on a great number of things, and I voted for a considerable number of those, and I am not here to criticize the administration for making recommendations for tax reductions where it believes that they can be justified and supported.

But I will try to pick out two. As I did vote—I am one of those Senators who voted for this dividend credit of 4 percent when it came through. I don't see how I can justify a vote on the one hand to reduce taxes on those who draw dividends and then turn around on the other hand and vote to raise the tax on gasoline, because it would seem to me that by doing that, if you just compare those two, one of them is a case of reducing in the main taxation on persons better able to pay and getting that money back a few years later by raising taxes, which in many instances fall on people who are not nearly so well able to pay.

The thought just occurs to me that if the highway users should pay excise taxes sufficient to pay for all the highways, we ought to take a look and see what they are paying. They are already paying far in excess of the amount of excise taxes required to finance the highways, that we should not increase the tax burden on the highway users any further, that is so far as the excise tax program.

I am not trying to argue with you but that is just my view then and I hope you recognize that there is some equity on the part of these users who are paying far more than it takes to finance the highways when we have seen other taxes reduced.

We have to come back and increase taxes on them.

Mr. STANS. Senator, all I can say is that I assume Congress considered all these matters when it imposed the original excise tax on the sale of an automobile for general revenue. That became part of the revenue-raising system of the country, along with taxes on electrical devices and beauty products and luggage and a great many other things.

Senator LONG. Of course that was done at a time when the highway program was financed out of general revenue.

I believe that was also done in wartime, wasn't it? Wasn't that part of the wartime taxes? We were going to have to put on some excise taxes in time of war and we hoped we would be able to take them off after the war was over.

Mr. STANS. I understand it was increased during the Korean war. I don't know when the tax was originally imposed.

Senator LONG. Didn't it go on during World War II?

Mr. STANS. I think it did, sir.

The information I have in the table before me, sir——

Senator LONG. My understanding is it started in 1932. It was heavily increased in World War II and at the time of the Korean war. Prior to that it was not earmarked. Then you came along and said that was earmarked money, earmarked certain highway user taxes to finance the highways. It seems to me if you say "earmark certain highway user taxes" it seems to be just as well to earmark certain other highway user taxes to go to highways.

If balancing the budget, which is your problem, we could meet this problem by raising one tax just as well as another. That is my point.

Mr. STANS. I agree I am very seriously worried about balancing the budget.

Senator GORE. Mr. Stans, you have told us today that the budget this year in all probability is going to be unbalanced.

Mr. STANS. I am afraid that is the case.

Senator GORE. Whether the budget is balanced or unbalanced, the highway programs which we are paying for around the world will continue under your policy, but our own program comes to a dead stop unless we impose upon every man who buys a gallon of gasoline an additional tax.

Is that a correct statement?

Mr. STANS. Or unless we find some other way of financing this system.

Senator GORE. Well, I intend to find some other way. I intend to give the Senate a couple of choices, and I will be glad to comment on that in just a moment, but meanwhile I would like to read to you and to the chairman of the committee, I am sure he will enjoy it, a proud announcement that the Government made on July 7. This appears in the New York Times. It announced a great accomplishment:

The United States announced today that it was willing to give Burma and Burma was willing to receive——

Senator LONG. Burma has made a concession. They are the ones who refused to take it for a while. They are the ones who gave in.

Senator GORE. I read this to the very estimable Senator Russell of Georgia, and he said:

So Burma was willing to receive up to \$37 million of economic assistance in the next 4 years. This meant Burma had reversed her six long refusals to accept aid as a gift from the United States. She asked the United States to suspend all aid in 1953.

I will not read it all. This \$37 million is for a highway in Burma, and as the chairman has just said, these will go on around the world, be the budget balanced or unbalanced, but our own highway program is going to stop dead still on October 1, unless we can extract another tax from every man who buys a gallon of gasoline. Now would you classify that as equitable?

Mr. STANS. Senator, you are asking me to debate with you on the validity and reasonableness and propriety of our whole mutual security program.

Senator GORE. Oh, no, I am not. I have supported your program. I am not asking you, I am not raising the question of whether this is a wise expenditure. The question I am raising is that you are making a stepchild of our own defense highway program.

You are putting our own highway program secondary to highway programs around the world.

Just let me list some of them.

Under mutual security included in the present fiscal year there are obligations of \$192 million for highway construction in other countries.

Under the Development Loan Fund, commitments have already been made of \$220 million for transportation and communication and they have under active consideration at this moment \$350 million more, more than the 1 cent gasoline would raise for the remainder of this fiscal year.

The World Bank has loaned \$325 million for highways. The Export-Import Bank, \$241 million.

Maybe we ought to make Senator Byrd's highway trust fund eligible for a loan from one of these agencies. What would be the reaction of the administration on that?

Mr. STANS. Senator, I think we are confusing two different things.

Senator GORE. No; we are not confusing them. I am comparing them.

Mr. STANS. I would like to say this: Certainly no one here from the administration, and no one in this room would believe that we should not go ahead with our highway program. The problem is how are we going to pay for it.

Senator GORE. Then how are we going to pay for these others? How are we going to pay for this road in Burma?

Mr. STANS. That is part of our budget problem as well.

Senator GORE. But you are going to let it continue, but you are going to stop our own highway program dead still October 1:

Mr. STANS. Senator, we have a law that says it shall stop dead till October 1 unless something is done about it.

Senator GORE. And what do you propose to do about it?

Mr. STANS. We propose to increase the revenues in the fund.

Senator GORE. Increase the gas tax?

Mr. STANS. That is right.

Senator GORE. Well, now, I propose a substitute. I would like to have your comment. I propose either one of two; I would be satisfied with either:

One, I propose to save 1 percent of all the appropriations except those statutory requirements that the Congress makes to the general fund in the first session of this Congress, and transfer such an amount to the highway trust fund.

Now, what would be the choice of the administration, to save enough from other expenditures to continue our own highway program without additional Federal sales taxes on gasoline, or would it prefer to spend the money, all the money appropriated on the other programs, and then levy an additional Federal sales tax on gasoline? Which would be your choice?

Mr. STANS. Senator, I would like to answer it in this way: If the Congress has any way in which it can save money without injuring the programs of the Federal Government, I would like to see it saved.

I think that is not inconsistent at all with levying an additional 1-cent gasoline tax to continue the highway fund on a self-supporting basis.

The administration, I am sure, would not support the idea of reducing other expenditures and applying an equivalent amount of revenues into the highway fund.

Senator GORE. Then you would oppose that?

Mr. STANS. I believe we would.

Senator GORE. And you are speaking for the President in so stating?

Mr. STANS. I have not had an opportunity to discuss this with the President because it came to my attention after he left the country, but I am quite certain that that would be his point of view.

Senator GORE. I shall not question that.

Now, in case the Senate or the committee does not accede to this choice, I shall then offer another about which I will be glad to have your comment.

The Treasury testified this morning, or maybe it was Mr. Tallamy, that the 1-cent gasoline tax for the remainder of the fiscal year would produce revenue in the sum of \$333 million.

The Treasury Department has informed me that a repeal of the 4-percent dividend credit would produce revenue in the sum of \$335 million.

Now, which would the administration prefer, a closing of this loophole or the levying of an additional tax on every gallon of gasoline?

Mr. STANS. I think the Secretary of the Treasury could give you a much better answer on that than I could, but in his absence, I will say that I think the administration believes that any consideration of changing the dividend credit or any other tax changes ought to be considered as part of the general study of our tax structure, and should not be brought into consideration of this problem.

Under those circumstances, we would favor the 1-cent increase in the gasoline tax.

Senator GORE. You don't think that an additional tax on gasoline should be a part of that study, either?

Mr. STANS. It will be a part of the Commerce Department's study.

Senator GORE. But you propose to levy it now and study it later?

Mr. STANS. Yes; we do.

Senator GORE. Now, suppose we repeal the dividend credit and study it later?

Mr. STANS. May I point out that the House has already voted for the 1-cent gasoline tax.

Senator GORE. And the Senate has already voted to repeal the dividend credit, and they shall have a chance to do so again.

Senator McCARTHY. Will the Senator yield to me?

Senator GORE. Yes.

Senator McCARTHY. I note from the testimony of the Director of the Budget that whereas he talks in the last paragraph about the study to be made in 1961, at the same time on page 4 he recommends that the 1.5-cent tax be extended for 5 years.

Mr. STANS. Yes; that is what the administration recommends, Senator.

Senator McCARTHY. Why do you recommend 5 years, and then say you want us to hold up until we can get your report in 1961?

Mr. STANS. For this reason: It is necessary to have legislation extending over about 5 years in order to provide the foreseeable receipts in the trust fund over a period of time that is necessary in order to make apportionments this year and next year. It just happens that the mechanics of the law and the formula under the Byrd amendment so requires.

Now, the House has proposed to increase the gasoline tax for 2 years, and to transfer revenues for another 3 years.

Senator McCARTHY. The diversion of the excise tax collected on automobiles would take care of that problem. This is proposed in the House bill. It extends for at least 5 years.

Mr. STANS. That is correct, and the administration has said and the President has said that he does not believe that the diversion of taxes is the way to deal with this problem.

Senator McCARTHY. You don't think that that is the answer over the 5-year period, but you think the extension of the gasoline tax, increase it for 1.5 cents a gallon for a 5-year period is all right, although you say you are going to present some kind of a report early in 1961 dealing with the equitable distribution of the tax burden.

Mr. STANS. Yes, by 1961 we will have a report with all that analysis, and if the law then is inequitable, the Congress undoubtedly will make appropriate adjustments.

Senator McCARTHY. Could not those recommendations take into account the diversion of excise taxes on automobiles just-as-well as they could take into account the 5-year extension of the 1.5-cent increase in gasoline taxes?

Mr. STANS. I can't anticipate what the recommendations resulting from that study will be, Senator.

Senator McCARTHY. Neither can I.

Mr. STANS. But if I may go back to Senator Gore, I am sure that he is interested in further views with respect to his first proposal.

Senator GORE. I am.

Mr. STANS. I have not had too much time to study it, but we have had other efforts in the past directed at reductions of expenditures generally.

To reduce expenditures broadly across the Government produces a great many difficulties, a great many problems that are much more serious than simply the matter of second-guessing the Appropriations Committee.

The bill itself recognizes the need for some exceptions, which is interest on the debt, veterans compensation, and pensions. There are a very great many other expenditures of the Federal Government that are fixed by formula, or by demand, we will say, in which a 1-percent reduction just isn't feasible.

Senator GORE. Of course, a 1-percent reduction of the appropriation bills.

Mr. STANS. I understand that.

Senator GORE. And I agree with you that it creates problems.

Mr. STANS. I might point out a 1-percent reduction in the appropriation bill for the Commodity Credit Corporation wouldn't save a dollar in the expenditures of the Federal Government because we are committed to buy under the price support formulas to the extent that these crops are tendered to us.

Senator GORE. I have contemplated the problem which you discuss, and I have conferred with numerous people in Government agencies, including the General Accounting Office and the Bureau of the Budget, your own agency.

The General Accounting Office, after several days of study, just today reached its own estimate that my amendment would save \$540 million, which is a little in excess of what the highway trust fund

needs for this fiscal year, and in reaching that estimate, I asked the GAO to take into consideration these statutory requirements, these irreducible formulas to which you have referred.

I recognize that it creates a problem, but this would not be the first time that a rescission has been made by the Congress. Obviously it creates problems. This gasoline tax creates problems, too.

I got into a taxicab the other day to come to the office. The taxi driver, whom I never remember having seen before, for some reason recognized me as the junior Senator from Tennessee, and he pulled off to the side of the street and stopped, and turned around and thanked me for fighting a further increase in the gasoline tax. He said:

"I have to make a living with this automobile, not only for myself, but for my wife and for three children, and I am already paying about \$300 a year in taxes on gasoline. Please fight the 'H' out of it," he said.

So both these things create problems.

Mr. STANS. Senator, I am not discussing this in terms of problems; I am trying to discuss it in terms of dimensions. I am sure the Senator is interested in this.

Senator GORE. I am.

Mr. STANS. It is possible that a 1-percent reduction in authorizations to spend applied to such items as procurement and construction, and in some areas of personnel, would reduce appropriations for the year. There is no question about it. And it might reduce the appropriations, conceivably, as much as \$400 million or \$500 million.

But, Senator, I can't conceivably find any basis for thinking you could reduce the 1960 expenditures by this process, for the simple reason again, as we discussed this morning, a great many appropriations for construction and so forth don't result in expenditures for another year or two or three, and if you reduce the appropriations for those items, you don't save any expenditures then for a year or two or three.

Senator GORE. Of course, I know we have expenditure budget, appropriation budget. I am talking of the balance of the budget that the President presented.

Mr. STANS. Then we are talking about expenditures.

Senator GORE. Then there is also the problem of what is a balance of the budget. Now, if you give me my preference, I would want to regard the construction of a hydroelectric dam or a new Federal highway as an investment in the future. I don't think it can properly be treated in the same category as a contribution to Syngman Rhee or Gen. Chiang Kai-shek on Taiwan. One is an expenditure from which we get no immediate return, tangible return; the other is an investment in a facility that will add to the wealth and enjoyment and income of the Nation for decades to come.

So if we get into the discussion of what is a wise budget and what is a balanced budget, I think we would need to revise our consideration.

For instance, under your kind of---well, I won't say your kind---under the accepted system of Government bookkeeping the Government has no assets and can make no investment. So I think we would open up a great big, not only theoretical but practical, discussion if we start discussing the nature of a budget.

I am trying to save enough money from other appropriations to finance our own highway program, and without contributing to the unbalancing of your budget.

Mr. STANS. Senator, I would like very much at some time to discuss with you this matter of Federal balance sheet and its assets and liabilities, because I am personally interested in seeing something done about that.

Senator GORE. You have made some fine contributions on that.

Mr. STANS. On the subject of the capital budget, on the other hand, I already have said that I think it would not be practical for this country to go that far. But I think we have gone afield, and I would like to say this one thing with respect to your proposal:

If the Congress believes that it is possible to reduce appropriations 1 percent in certain areas, then I would like very much to see them do it and use it to apply against the general fund deficit that we are going to have this year and may have next year.

Senator GORE. But by all means you would want another tax on gasoline?

Mr. STANS. I think we need it, and I think it is fair and equitable.

Senator GORE. Let me give you one other choice. Would you rather stop the highway program or see the dividend credit repealed?

Mr. STANS. I would not like to make that choice, because I don't think it is a necessary one, Senator. I think the administration's proposal with the bill passed by the House solves the problem, and the question of dividend credit, whether it should be increased or decreased, should be dealt with in the context of a review of the entire tax system of the country.

Senator GORE. Of course, I don't want to press you if you don't wish to express a choice, but you didn't hesitate to express the view that the administration would prefer an additional gasoline tax instead of stopping the highway program. You didn't hesitate to express the view that the administration would oppose a rescission of the appropriation bill, but when I ask you a choice between highways or dividend credit, then you do not wish to—do you want to persist in not wishing to express a choice?

Mr. STANS. My choice is to increase the gasoline tax by 1.5 cents.

Senator GORE. That was not the question.

Mr. Chairman, I will not press it. That is all.

The CHAIRMAN. Any further questions of Mr. Stans?

(No response.)

The CHAIRMAN. Thank you very much, Mr. Stans.

Senator LONG. Mr. Chairman, are you considering going into executive session now?

The CHAIRMAN. Yes.

Senator LONG. I would like to suggest this, it is not unprecedented with other committees, that we go ahead and start doing business and formalize it as soon as we get a quorum in the room, and I would suggest that we proceed along that line and see if we can't come to some conclusion on it.

The CHAIRMAN. The committee will go into executive session.

(Whereupon, at 3:40 p.m., the committee went into executive session.)

LEGISLATIVE HISTORY

Public Law 86-342

H. R. 8678

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INDEX AND SUMMARY OF H. R. 8678

- Aug. 14, 1959 Rep. Fallon introduced H. R. 8678 which was referred to the House Public Works Committee. Print of bill as introduced.
- Sept. 1, 1959 House committee reported H. R. 8678 with amendments. House report No. 1120. Print of bill and report.
- Sept. 2, 1959 Rules Committee reported resolution for consideration of H. R. 8678. H. Res. 372, House Report No. 1132. Print of resolution and report.
- Sept. 3, 1959 House passed H. R. 8678 with amendments.
- Sept. 4, 1959 H. R. 8678 was referred to the Senate Public Works Committee. Bill not printed as referred.
- Senate Public Works Committee reported H. R. 8678 with amendments. S. Report No. 902. Print of bill and report.
- H. R. 8678 was referred to the Senate Finance Committee. Not printed as referred.
- Senate Finance Committee reported H. R. 8678 with amendments. S. Report No. 903. Print of report.
- Sept. 5, 1959 Senate passed H. R. 8678 with amendments.
- Senate appointed conferees.
- Sept. 9, 1959 House concurred in Senate amendments to H. R. 8678.
- Sept. 21, 1959 Approved: Public Law 86-342.
- President's memorandum of approval.

Hearings: Senate Finance Committee on H. R. 8678

DIGEST OF PUBLIC LAW 86-342

FEDERAL-AID HIGHWAY ACT OF 1959. Provides adjustments in the Federal-Aid Highway Acts of 1956 and 1958 to facilitate the construction of the Federal-aid highway system. Authorizes the use of an emergency fund by the Secretary of Commerce for the repair and reconstruction, up to 100 percent of the costs, of forest highways and forest development roads and trails seriously damaged as a result of disaster, such as by floods, hurricanes, earthquakes, and other catastrophies.

86TH CONGRESS
1ST SESSION

H. R. 8678

IN THE HOUSE OF REPRESENTATIVES

AUGUST 14, 1959

Mr. FALLON introduced the following bill; which was referred to the Committee on Public Works

A BILL

To amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **TITLE I—FEDERAL-AID HIGHWAY**
4 **PROGRAM**

5 **SECTION. 101. SHORT TITLE.**

6 This Act may be cited as the “Federal-Aid Highway
7 Act of 1959”.

I—O

1 **SEC. 102. REVISION OF AUTHORIZATION OF APPROPRIA-**
2 **TIONS FOR INTERSTATE SYSTEM.**

3 Subsection (b) of section 108 of the Federal-Aid High-
4 way Act of 1956 is amended by striking out "the additional
5 sum of \$2,500,000,000 for the fiscal year ending June 30,
6 1961," and inserting in lieu thereof the following: "the addi-
7 tional sum of \$2,000,000,000 for the fiscal year ending
8 June 30, 1961,".

9 **SEC. 103. EXTENSION OF APPROVAL OF ESTIMATE OF**
10 **COST OF COMPLETING INTERSTATE SYTEM.**

11 Section 8 of the Federal-Aid Highway Act of 1958, as
12 amended, is hereby further amended by striking out "the
13 fiscal years ending June 30, 1960, and June 30, 1961." and
14 inserting in lieu thereof "the fiscal years ending June 30,
15 1960, 1961, and 1962."

16 **TITLE II—INTERNAL REVENUE**
17 **CODE AND HIGHWAY TRUST**
18 **FUND AMENDMENTS**

19 **SEC. 201. TEMPORARY INCREASE IN MOTOR FUEL TAXES,**
20 **ETC.**

21 (a) **GASOLINE.**—Section 4081 of the Internal Revenue
22 Code of 1954 (relating to imposition of tax on gasoline)
23 is amended by adding at the end thereof the following new
24 subsection:

25 " (c) **TEMPORARY INCREASE IN TAX.**—On and after

1 September 1, 1959, and before July 1, 1961, the tax im-
 2 posed by this section shall be 4 cents a gallon.”

3 (b) DIESEL FUEL AND SPECIAL MOTOR FUELS.—

4 (1) IMPOSITION OF TAX.—Section 4041 of such
 5 Code (relating to imposition of tax on diesel fuel and
 6 special motor fuels) is amended by adding at the end
 7 thereof the following new subsection:

8 “(f) TEMPORARY INCREASES IN TAX.—On and after
 9 September 1, 1959, and before July 1, 1961—

10 “(1) if (without regard to this subsection) the
 11 tax imposed by subsection (a) or (b) is 3 cents a
 12 gallon, the tax imposed by such subsection shall be 4
 13 cents a gallon, and

14 “(2) if (without regard to this subsection) the tax
 15 imposed under paragraph (2) of subsection (a) or
 16 (b) is 1 cent a gallon, the tax imposed under such para-
 17 graph shall be 2 cents a gallon.”

18 (2) TECHNICAL AMENDMENTS.—The second sen-
 19 tences of subsections (a) and (b) of such section 4041
 20 are each amended by striking out “in lieu of 3 cents a
 21 gallon”.

22 (c) FLOOR STOCKS TAX AND REFUNDS ON GASO-
 23 LINE.—

24 (1) TAX.—Section 4226 (a) of such Code (relat-

ing to floor stocks taxes) is amended by adding at the end thereof the following new paragraph:

“(5) 1959 TAX ON GASOLINE.—On gasoline subject to tax under section 4081 which, on September 1, 1959, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline.”

(2) DATE FOR PAYMENT OF TAX.—Section 4226 (d) of such Code (relating to due date of taxes) is amended by inserting before the period at the end thereof the following: “; except that the tax imposed by paragraph (5) shall be paid at such time after November 30, 1959, as may be prescribed by the Secretary or his delegate”.

(3) TECHNICAL AMENDMENT.—Section 4226 (c) of such Code (relating to definition of dealer, etc.) is amended by striking out “section 6412 (a) (3)” and inserting in lieu thereof “section 6412 (a) (4)”.

(4) REFUNDS.—Section 6412 (a) of such Code (relating to floor stocks refunds) is amended by renumbering paragraph (3) as paragraph (4) and by

1 inserting after paragraph (2) the following new para-
2 graph:

3 “(3) GASOLINE HELD ON JULY 1, 1961.—Where
4 before July 1, 1961, any gasoline subject to the tax
5 imposed by section 4081 has been sold by the producer
6 or importer and on such date is held by a dealer and is
7 intended for sale, there shall be credited or refunded
8 (without interest) to the producer or importer an amount
9 equal to the difference between the tax paid by such
10 producer or importer on his sale of the gasoline and the
11 amount of tax made applicable to such gasoline on and
12 after July 1, 1961, if claim for such credit or refund is
13 filed with the Secretary or his delegate on or before
14 November 10, 1961, based upon a request submitted to
15 the producer or importer before October 1, 1961, by
16 the dealer who held the gasoline in respect of which the
17 credit or refund is claimed, and, on or before November
18 10, 1961, reimbursement has been made to such dealer
19 by such producer or importer for the tax reduction on
20 such gasoline or written consent has been obtained from
21 such dealer to allowance of such credit or refund. No
22 credit or refund shall be allowable under this paragraph
23 with respect to gasoline in retail stocks held at the place
24 where intended to be sold at retail, nor with respect to

1 gasoline held for sale by a producer or importer of
2 gasoline.”

3 (d) CREDITS AND REFUNDS.—

4 (1) TAX PAYMENTS CONSIDERED OVERPAY-
5 MENTS.—Section 6416 (b) (2) of such Code (relating
6 to special cases in which tax payments are considered
7 overpayments) is amended—

8 (A) by striking out “at the rate of 3 cents a
9 gallon” each place it appears in subparagraphs
10 (H), (I), and (J) and inserting in lieu thereof “at
11 the rate of 3 cents or 4 cents a gallon”;

12 (B) by striking out “1 cent for each gallon”
13 in subparagraph (H) and inserting in lieu thereof
14 “1 cent (where tax was paid at the 3-cent rate)
15 or 2 cents (where tax was paid at the 4-cent rate)
16 for each gallon”; and

17 (C) by striking out “at the rate of 1 cent a
18 gallon;” at the end of subparagraphs (I) and (J)
19 and inserting in lieu thereof the following: “at the
20 rate of 1 cent a gallon where tax was paid at the 3-
21 cent rate or at the rate of 2 cents a gallon where
22 tax was paid at the 4-cent rate;”.

23 (2) GASOLINE USED FOR CERTAIN NONHIGHWAY
24 PURPOSES OR BY LOCAL TRANSIT SYSTEMS.—Subsec-

tions (a) and (b) (1) (A) of section 6421 of such Code (relating to gasoline used for certain nonhighway purposes or by local transit systems) are each amended by striking out "1 cent for each gallon of gasoline so used" and inserting in lieu thereof "1 cent for each gallon of gasoline so used on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon".

(e) COLLECTION OF GASOLINE TAX AT WHOLESALE DISTRIBUTOR LEVEL.—

(1) TREATMENT OF WHOLESALE DISTRIBUTOR AS PRODUCER.—The first sentence of section 4082 (a) of the Internal Revenue Code of 1954 (relating to definition of "producer" for purposes of tax on gasoline) is amended to read as follows: "As used in this subpart, the term 'producer' includes a refiner, compounder, blender, or wholesale distributor, as well as a producer."

(2) WHOLESALE DISTRIBUTOR DEFINED.—Section 4082 of such Code is amended by adding at the end thereof the following new subsection:

"(d) WHOLESALE DISTRIBUTOR.—As used in subsection (a), the term 'wholesale distributor' includes any person who—

1 “(1) sells gasoline to producers, to retailers, or
2 to users who purchase in bulk quantities for delivery
3 into bulk storage tanks, and

4 “(2) is registered and bonded with respect to the
5 tax imposed by section 4081.

6 Such term does not include any person who (excluding the
7 term ‘wholesale distributor’ from subsection (a)) is a pro-
8 ducer or importer.”

9 (3) EFFECTIVE DATE.—The amendments made by
10 paragraphs (1) and (2) shall take effect on January
11 1, 1960.

12 **SEC. 202. TRANSFERS TO HIGHWAY TRUST FUND.**

13 (a) TRANSFER.—Section 209(c) of the Highway
14 Revenue Act of 1956 (relating to transfer to Highway
15 Trust Fund of amounts equivalent to certain taxes) is
16 amended by renumbering paragraphs (2) and (3) as
17 paragraphs (3) and (4), respectively, and by inserting
18 after paragraph (1) the following new paragraph:

19 “(2) EXCISE TAX ON AUTOMOBILES, PARTS AND
20 ACCESSORIES, ETC.—There is hereby appropriated to
21 the Trust Fund, out of any money in the Treasury
22 not otherwise appropriated, amounts equivalent to that
23 portion of the taxes received in the Treasury after
24 June 30, 1961, and before July 1, 1964, under sub-
25 sections (a) (2) (tax on passenger automobiles, etc.)

and (b) (tax on parts and accessories) of section 4061 of the Internal Revenue Code of 1954 which is equal to the amount which would have been so received if the tax rate under each such subsection had been 5 percent in lieu of the applicable rate.”

(b) CONFORMING AMENDMENTS.—

(1) CLERICAL AMENDMENT.—Paragraph (4) (as renumbered by subsection (a)) of such section 209 (c) is amended by striking out “paragraphs (1) and (2)” each place it appears and inserting in lieu thereof “paragraphs (1), (2), and (3)”.

(2) FLOOR STOCKS REFUNDS.—Section 209 (f) of the Highway Revenue Act of 1956 (relating to expenditures from Highway Trust Fund) is amended—

(A) by striking out the heading to paragraph (4) and inserting in lieu thereof the following:

“(4) 1972 FLOOR STOCKS REFUNDS.—”; and

(B) by adding at the end thereof the following new paragraph:

“(5) 1961 FLOOR STOCKS REFUNDS ON GASOLINE.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the floor stocks refunds made before July 1, 1962, under section 6412 (a) (3).”

86TH CONGRESS
1ST SESSION

H. R. 8678

A BILL

To amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

By Mr. FAULON

AUGUST 14, 1959

Referred to the Committee on Public Works

FEDERAL-AID HIGHWAY ACT OF 1959

REPORT

OF THE

COMMITTEE ON PUBLIC WORKS

HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H.R. 8678

A BILL TO AMEND THE FEDERAL-AID HIGHWAY ACTS
OF 1956 AND 1958 TO MAKE CERTAIN ADJUSTMENTS
IN THE FEDERAL-AID HIGHWAY PROGRAM, AND FOR
OTHER PURPOSES

TOGETHER WITH

SUPPLEMENTAL VIEWS



SEPTEMBER 1, 1959.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

UNITED STATES

GOVERNMENT PRINTING OFFICE

WASHINGTON : 1959

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FEDERAL-AID HIGHWAY ACT OF 1959

SEPTEMBER 1, 1959.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. FALLON, from the Committee on Public Works, submitted the following

REPORT

[To accompany H.R. 8678]

The Committee on Public Works, to whom was referred the bill (H.R. 8678) to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

COMMITTEE AMENDMENTS

The amendments are as follows:

Page 2, line 4, after "1956" insert "as amended,".

Page 2, line 10, strike out "SYTEM" and insert "SYSTEM".

Page 2, after line 15, insert:

SEC. 104. POLICY WITH RESPECT TO REIMBURSEMENT FOR CERTAIN HIGHWAYS.

Section 114 of the Federal-Aid Highway Act of 1956 is amended to read as follows:

"SEC. 114. POLICY OF CONGRESS TO REIMBURSE FOR CERTAIN HIGHWAYS.

"It is hereby declared to be the intent and policy of the Congress to equitably reimburse in money or in mileage each State for every portion of a toll or free highway bridge or tunnel within such State which is on the Interstate System, the construction of which has been completed subsequent to August 2, 1947, or which is either in actual use or under construction by contract, for completion, awarded not later than June 30, 1957."

INTRODUCTORY STATEMENT

H.R. 8678, which is favorably reported by your committee, contains in title I certain necessary amendments to the Federal-Aid Highway Acts of 1956 and 1958. Title II of H.R. 8678 contains the recommendations of the Committee on Ways and Means to the Committee on Public Works to provide necessary tax revenues to finance the highway program.

Your committee held extensive public hearings on this legislation during the first session of the 86th Congress, and carefully considered the legislation in executive sessions.

The Committee on Ways and Means recommended material to the Committee on Public Works for inclusion in this legislation as title II which would amend the Internal Revenue Code of 1954 and the Highway Revenue Act of 1956 to provide additional revenue to make the highway program self-financing.

The provisions of these two titles have been incorporated in H.R. 8678 after having been approved by the respective committees having jurisdiction over the subject matter in order to permit the simultaneous and orderly consideration of the highway program by Congress.

TITLE I—NATIONAL SYSTEM OF INTERSTATE AND
DEFENSE HIGHWAYS

A. GENERAL STATEMENT

Since the enactment of the Federal-Aid Road Act of 1916, the Federal Government has provided substantial assistance in the construction and improvement of the Nation's network of highways. The Federal-Aid Highway Act of 1956 continued and greatly expanded Federal activity in this field, and provided the greatest highway construction program in the history of the world.

At the time the Congress considered and enacted the Federal-Aid Highway Act of 1956 two basic facts were recognized and agreed upon by all concerned: First, the whole economy of the United States is in many ways directly dependent upon motor vehicle transportation, and second, the Nation had been failing to keep the highway systems adequate. The Federal-Aid Highway Acts of 1956 and 1958 were the actions taken by Congress to overcome the inadequacies of the highway systems.

Because of the critical importance of the highway systems in terms of the national defense and the economic development of the Nation, this committee has followed closely its progress and status. Excellent progress is being made in advancing the Federal-aid highway program. The committee understands that it is on schedule, on a nationwide basis, at the time of this report, some 3 years after enactment of the Federal-Aid Highway Act of 1956. A more detailed report of the progress of the highway program can be found in House Document 74, 86th Congress, 1st session, entitled "Progress Report on the Federal-Aid Highway Program," submitted to the Congress by the Secretary of Commerce on January 31, 1959.

Experience gained so far in the administration and advancement of this great program has revealed certain problems with respect to which congressional action is needed. The committee feels that attempts to resolve all of these problems should not be undertaken at this time.

In 1961 the Secretary of Commerce will submit to the Congress two fundamental reports. Upon receipt of these reports Congress will be better able to take necessary legislative action to complete the highway program.

While precipitous action in a program of this magnitude is hazardous and undesirable, nevertheless the Federal-aid highway program is of such importance, and fluctuations in that program can have such severe economic impact, that the committee is of the opinion that certain action must be taken immediately.

H.R. 8678, as amended, is designed to provide a solution to some of the most pressing problems and to maintain the Federal-aid highway program on schedule for the next 2 years. In the opinion of the committee, H.R. 8678 is essential legislation and should be enacted at the earliest possible date.

B. PURPOSE OF THE BILL

The purpose of H.R. 8678, as amended by the committee, is to continue the Federal-aid highway program on a reasonably uniform schedule, to prevent the economic disadvantages which would result from drastic fluctuations in the level of the program.

Title I of the bill does the following:

(a) Gives the bill the short title of the "Federal-Aid Highway Act of 1959";

(b) Amends section 108(b) of the Federal-Aid Highway Act of 1956, as amended, by decreasing the authorization for fiscal year 1961 by \$500 million;

(c) Amends section 8 of the Federal-Aid Highway Act of 1958, as amended, by giving approval to the estimate of cost of completing the Interstate System, transmitted by the Secretary of Commerce to Congress in compliance with section 108(d) of the Federal-Aid Highway Act of 1956, as the basis for making the apportionment to the States of the funds authorized for the Interstate System for fiscal 1962 (the apportionment scheduled to be made during the calendar year 1960);

(d) Amends section 114 of the Federal-Aid Highway Act of 1956, as amended, to declare it to be the intent and policy of the Congress to reimburse equitably either in money or in mileage each State for every portion of a toll or free highway, bridge, or tunnel within that State which is on the Interstate System, the construction of which has been completed subsequent to August 2, 1947, or which is either in actual use or under construction by contract, for completion, awarded not later than June 30, 1957.

C. TABLES OF APPORTIONMENT

Approximate apportionment of Federal-aid highway funds for fiscal year 1961 pursuant to H.R. 8678 and Federal-Aid Highway Act of 1958

[In millions]

State	Federal aid				Inter-state System (\$2,000.0)	Total (\$2,925.0)
	Primary (\$416.3)	Secondary (\$277.5)	Urban (\$231.2)	Sub-total ¹ (\$925.0)		
Alabama.....	\$8.5	\$6.6	\$3.0	\$18.1	\$39.4	\$57.5
Alaska.....	22.3	14.9	.1	37.3		37.3
Arizona.....	6.0	4.1	.9	11.0	27.3	38.3
Arkansas.....	6.5	5.3	1.3	13.1	19.9	33.0
California.....	19.2	9.9	20.7	49.8	203.2	253.0
Colorado.....	7.5	5.0	1.9	14.4	15.5	29.9
Connecticut.....	2.7	1.4	4.5	8.6	24.4	33.0
Delaware.....	2.1	1.4	.5	4.0	7.0	11.0
Florida.....	6.5	4.3	4.2	15.0	51.8	66.8
Georgia.....	9.8	7.6	3.4	20.8	48.3	69.1
Idaho.....	4.7	3.3	.4	8.4	13.8	22.2
Illinois.....	15.7	8.4	16.3	40.4	102.5	142.9
Indiana.....	9.7	6.7	5.6	22.0	57.7	79.7
Iowa.....	9.4	7.0	2.8	19.2	19.0	38.2
Kansas.....	9.4	6.6	2.2	18.2	17.9	36.1
Kentucky.....	7.4	6.2	2.4	16.0	35.2	51.2
Louisiana.....	6.2	4.5	3.4	14.1	52.8	66.9
Maine.....	3.3	2.3	1.0	6.6	10.3	16.9
Maryland.....	3.8	2.3	3.9	10.0	45.1	55.1
Massachusetts.....	5.4	2.0	9.7	17.1	55.7	72.8
Michigan.....	12.5	7.6	10.8	30.9	78.6	109.5
Minnesota.....	10.5	7.4	3.8	21.7	37.7	59.4
Mississippi.....	7.0	5.9	1.3	14.2	22.0	36.2
Missouri.....	11.2	7.6	5.7	24.5	57.1	81.6
Montana.....	7.8	5.4	.5	13.7	22.7	36.4
Nebraska.....	7.6	5.4	1.4	14.4	12.3	26.7
Nevada.....	4.7	3.1	.2	8.0	10.5	18.5
New Hampshire.....	2.1	1.4	.7	4.2	11.0	15.2
New Jersey.....	5.6	1.9	10.2	17.7	64.7	82.4
New Mexico.....	6.6	4.6	.8	12.0	24.0	36.0
New York.....	19.5	7.7	31.1	58.3	99.0	157.3
North Carolina.....	10.0	8.7	3.0	21.7	10.8	32.5
North Dakota.....	5.4	4.0	.4	9.8	8.9	18.7
Ohio.....	14.2	8.6	13.4	36.2	130.3	166.5
Oklahoma.....	8.5	6.1	2.5	17.1	18.2	35.3
Oregon.....	6.6	4.6	1.9	13.1	34.7	47.8
Pennsylvania.....	16.7	9.9	17.6	44.2	81.5	125.7
Rhode Island.....	2.1	1.4	1.7	5.2	9.3	14.5
South Carolina.....	5.5	4.6	1.6	11.7	16.5	28.2
South Dakota.....	5.9	4.2	.4	10.5	8.5	19.0
Tennessee.....	8.6	6.8	3.4	18.8	50.3	78.1
Texas.....	25.3	16.9	11.1	53.3	90.3	143.6
Utah.....	4.7	3.1	1.0	8.8	18.7	27.5
Vermont.....	2.1	1.4	.4	3.9	18.9	22.8
Virginia.....	7.7	6.0	3.6	17.3	84.7	102.0
Washington.....	6.6	4.4	3.5	14.5	36.2	50.7
West Virginia.....	4.4	3.9	1.5	9.8	25.1	34.9
Wisconsin.....	9.4	6.6	4.5	20.5	21.1	41.6
Wyoming.....	5.0	3.4	.2	8.6	20.8	29.4
Hawaii.....	2.1	1.4	.8	4.3		4.3
District of Columbia.....	2.1	1.4	2.0	5.5	19.8	25.3
Puerto Rico.....	2.2	2.3	2.0	6.5		6.5

¹ Amounts shown are before deduction of any repayable advances utilized by the States pursuant to sec. 2(e) of the Federal-Aid Highway Act of 1958.

*Approximate apportionment of Federal-aid highway funds for fiscal year 1962
pursuant to H.R. 8678 and Federal-Aid Highway Act of 1958*

[In millions]

State	Federal aid				Inter- state System (\$2,200.0)	Total (\$3,125.0)
	Primary (\$416.3)	Second- ary (\$277.5)	Urban (\$231.2)	Sub- total ¹ (\$925.0)		
Alabama.....	\$8.5	\$6.6	\$3.0	\$18.1	\$43.4	\$61.5
Alaska.....	22.3	14.9	.1	37.3	-----	37.3
Arizona.....	6.0	4.1	.9	11.0	30.0	41.0
Arkansas.....	6.5	5.3	1.3	13.1	21.8	34.9
California.....	19.2	9.9	20.7	49.8	223.6	273.4
Colorado.....	7.5	5.0	1.9	14.4	17.0	31.4
Connecticut.....	2.7	1.4	4.5	8.6	26.8	35.4
Delaware.....	2.1	1.4	.5	4.0	7.7	11.7
Florida.....	6.5	4.3	4.2	15.0	57.0	72.0
Georgia.....	9.8	7.6	3.4	20.8	53.1	73.9
Idaho.....	4.7	3.3	.4	8.4	15.2	23.6
Illinois.....	15.7	8.4	16.3	40.4	112.8	153.2
Indiana.....	9.7	6.7	5.6	22.0	63.4	85.4
Iowa.....	9.4	7.0	2.8	19.2	20.9	40.1
Kansas.....	9.4	6.6	2.2	18.2	19.7	37.9
Kentucky.....	7.4	6.2	2.4	16.0	38.7	54.7
Louisiana.....	6.2	4.5	3.4	14.1	58.1	72.2
Maine.....	3.3	2.3	1.0	6.6	11.3	17.9
Maryland.....	3.8	2.3	3.9	10.0	49.6	59.6
Massachusetts.....	5.4	2.0	9.7	17.1	61.3	78.4
Michigan.....	12.5	7.6	10.8	30.9	86.5	117.4
Minnesota.....	10.5	7.4	3.8	21.7	41.5	63.2
Mississippi.....	7.0	5.9	1.3	14.2	24.2	38.4
Missouri.....	11.2	7.6	5.7	24.5	62.8	87.3
Montana.....	7.8	5.4	.5	13.7	25.0	38.7
Nebraska.....	7.6	5.4	1.4	14.4	13.6	28.0
Nevada.....	4.7	3.1	.2	8.0	11.5	19.5
New Hampshire.....	2.1	1.4	.7	4.2	12.1	16.3
New Jersey.....	5.6	1.9	10.2	17.7	71.2	88.9
New Mexico.....	6.6	4.6	.8	12.0	26.4	38.4
New York.....	19.5	7.7	31.1	58.3	109.0	167.3
North Carolina.....	10.0	8.7	3.0	21.7	11.9	33.6
North Dakota.....	5.4	4.0	.4	9.8	9.7	19.5
Ohio.....	14.2	8.6	13.4	36.2	143.3	179.5
Oklahoma.....	8.5	6.1	2.5	17.1	20.0	37.1
Oregon.....	6.6	4.6	1.9	13.1	38.1	51.2
Pennsylvania.....	16.7	9.9	17.6	44.2	89.7	133.9
Rhode Island.....	2.1	1.4	1.7	5.2	10.3	15.5
South Carolina.....	5.5	4.6	1.6	11.7	18.1	29.8
South Dakota.....	5.9	4.2	.4	10.5	9.3	19.8
Tennessee.....	8.6	6.8	3.4	18.8	65.2	84.0
Texas.....	25.3	16.9	11.1	53.3	99.4	152.7
Utah.....	4.7	3.1	1.0	8.8	20.6	29.4
Vermont.....	2.1	1.4	.4	3.9	20.7	24.6
Virginia.....	7.7	6.0	3.6	17.3	93.2	110.5
Washington.....	6.6	4.4	3.5	14.5	39.8	54.3
West Virginia.....	4.4	3.9	1.5	9.8	27.6	37.4
Wisconsin.....	9.4	6.6	4.5	20.5	23.2	43.7
Wyoming.....	5.0	3.4	.2	8.6	22.9	31.5
Hawaii.....	2.1	1.4	.8	4.3	-----	4.3
District of Columbia.....	2.1	1.4	2.0	5.5	21.8	27.3
Puerto Rico.....	2.2	2.3	2.0	6.5	-----	6.5

¹Amounts shown are before deduction of any repayable advances utilized by the States pursuant to sec. 2(e) of the Federal-Aid Highway Act of 1958.

D. SUPPLEMENTAL VIEWS WITH RESPECT TO H.R. 8678

SUPPLEMENTAL VIEWS OF MR. EDMONDSON, MR. JOHNSON OF CALIFORNIA, MR. HARGIS, MR. BROWN OF MISSOURI, MR. SMITH OF MISSISSIPPI, MRS. PFOST, MR. CLARK, MR. BLATNIK, MR. McFALL, MR. THOMPSON, OF LOUISIANA

We are strongly in favor of the highway program. We want it continued without serious cutback.

But this additional motor fuel tax, insisted upon by the administration, is not necessary to continue the highway construction program, as such. The Treasury is now collecting more than \$1.5 billion annually in special highway user taxes on new vehicles, parts, and accessories, etc., that is not going into the highway trust fund, a portion of which could be and should be transferred to the trust fund as soon as possible to continue the highway construction program on schedule.

The administration's underlying purpose for the additional 1 cent gasoline tax is to provide a surplus in the general budget at the expense of the highway user. It is taxation for expediency only. In fact, the administration wants to impose an additional gasoline tax of 1½ cents—50 percent more than the tax provided in this bill.

Furthermore, administration recommendations called for a 5-year imposition of the 1½ cents tax, as contrasted with the 22-month period provided for in the bill's 1 cent tax. Under the administration proposal, motorists and highway users would bear an additional and staggering burden of more than \$3 billion over the long period of 5 years—a completely unnecessary load upon the public using the highways of the Nation.

There are more equitable methods of increasing the general revenue than by imposing an additional gasoline tax.

Without justice or equity to support it, the insistence upon this gasoline tax increase will—

- (1) Impose an unfair and unnecessary additional burden upon the American motorist;
- (2) Raise the motor freight rates in practically all sections of the country;
- (3) Create additional problems for the States in their search for tax revenues; and
- (4) Continue for at least 2 years, and perhaps indefinitely, the unfair diversion of highway user taxes into the general fund.

BACKGROUND

The proposal to increase the Federal taxes on motor fuels, in the opinion of the undersigned, is unfair and unnecessary. Some of the signers listed below have voted to report this measure favorably only because it appears to be the only way to prevent the highway construction program from being cut back sharply. It is the deep conviction of all of us that this program is so vital to our Nation's economy and national defense that it must not be stopped or slowed down unnecessarily.

We feel that administration insistence upon additional gasoline taxes as a part of this legislation is unfair to the Nation's highway users because it ignores the whole history of Federal highway

legislation and taxation. The table below shows that over the life of the Federal highway program beginning in 1917 and up to the time of enactment of the Federal-Aid Highway Act of 1956 the income from special levies on motor fuel; new vehicles; tires and tubes; parts and accessories and lubricating oil, exceeded authorizations for highway construction by more than \$17 billion. In 1955, the last full year before enactment of the expanded highway program, the yield of these taxes exceeded Federal highway authorizations by more than \$2 billion.

Federal-aid highway authorizations and Federal automotive excise tax payments, 1917-56

[Amounts in thousands]

	Federal-aid highway authorizations (fiscal years) ¹	Excise tax payments by highway users (calendar years)	Excess of user payments over Federal-aid authorizations
1917-28.....	\$765,000	\$1,141,340	\$376,340
1929-40.....	1,510,000	2,430,442	920,442
1941-52.....	3,335,000	11,854,715	8,519,715
1953.....	500,000	2,183,486	1,683,486
1954.....	575,000	2,203,618	1,628,618
1955.....	575,000	2,735,636	2,160,636
1956.....	875,000	2,858,235	1,983,235
1953-56.....	2,525,000	9,980,975	7,455,975
Grand total.....	8,135,000	25,407,472	17,272,472

¹ Excludes public works authorizations which in the years 1933-35 totaled \$1,000,000,000.

Source: U.S. Department of Commerce, Bureau of Public Roads, Highway Statistics, Tables E-5 and E-6 and Authorizations of Major Highway Funds Administered by the BPR.

Thus at the time that the Federal-Aid Highway Act of 1956 was adopted, the Federal Government was collecting from highway users, through special taxes, approximately \$2 billion per year more than was being authorized for highways.

Despite these facts, the Congress—at the insistence of the administration—increased taxes on motor fuel; tires and tubes; new trucks, buses, and trailers; and levied new taxes on tread rubber (used in recapping tires) and on trucks weighing 26,000 pounds or more.

Under this action the Federal Government continues to receive huge amounts of revenue for the general fund from special levies on highway users. In fiscal 1957, the excess of income from special levies exceeded authorization by \$1.5 billion. And this is not the whole story.

Under the Federal-aid highway program there is a timelag between the authorization of funds for highways and the appropriation of money to pay for expenditures made in connection with the authorizations. Thus at the time of adoption of the 1956 act there were outstanding \$1.958 billion in Federal highway funds authorized by the 1954 and prior Federal-aid highway acts, for which funds had not been appropriated. These authorizations were made liabilities of the highway trust fund thus relieving the general fund of obligations for them.

While this transfer of the liability for highway expenditures already authorized from the general fund to the trust fund would not have

made a great deal of difference over the life of the program, under the construction and financing provisions of the House bills, it makes quite a difference over the short term especially when section 209(g) (the Byrd amendment) was added to the legislation.

The trust fund as originally conceived contemplated a balanced program over a stated number of years with trust fund receipts exceeding expenditures in the early years building up a surplus. Expenditures were expected to exceed receipts in the middle years wiping out the surplus and accumulating a deficit. The deficit was to be financed by repayable advances from the general fund. It would be liquidated in the later years of the program when receipts would again exceed expenditures. The pay-as-you-go principle adopted in the final legislation changed this to a one-way concept with trust fund surpluses available for loan to the general fund but with the trust fund unable to borrow from the general fund.

In fiscal 1957, for example, the highway trust fund had revenues of \$1.482 billion and expenditures of \$966 million. The general fund was able to borrow the surplus funds from the trust fund making it unnecessary to seek funds from outside sources. In fiscal 1958 trust fund income rose to \$2.1 billion and expenditures rose to \$1.6 billion. At the close of fiscal 1958 the trust fund balance was \$1.048 billion most of which was loaned to the general fund. In fiscal 1959, ended June 30, 1959, trust fund income was \$2.185 billion while expenditures increased to \$2.709. This cut into the surplus accumulated in the first 2 years and left the fund with a balance of only \$524 million.

It is now anticipated that expenditures in fiscal 1960, the current year, will exceed income by about \$1 billion wiping out the balance and creating a deficit of about \$500 million by the close of fiscal 1960. Thus, after about 3½ years of surpluses, which were loaned to the general fund, the trust fund will need additional money.

The proposal to raise this needed money by increasing taxes on highway users or to reduce the highway program to a level which can be supported by the revenues from those taxes now dedicated to the highway program, also overlooks the fact that there are other beneficiaries of good highways who are not contributing one cent to the cost of these highways. In its Third Progress Report of the Highway Cost Allocation Study, submitted to Congress on March 2 of this year pursuant to section 210 of the Highway Revenue Act of 1956 the U.S. Department of Commerce stated:

There exists a formidable array of direct and indirect benefits resulting from Federal-aid highway improvement, in addition to benefits resulting from the actual use of such highways. Recent studies of the economic impact of highway improvement shed considerable light on the identify of the nonvehicular beneficiary groups and on the magnitude and nature of the benefits accruing to these groups. Regardless of the label affixed to these kinds of benefits—whether they be identified as an extension of vehicular benefits, transferred benefits, or nonvehicular benefits—what seems significant is that there are real and extensive beneficiary groups other than highway users as such, that reap the advantages (and perhaps shoulder the shortcomings to a limited extent in special instances) of highway improvement; and that the total magnitude of these benefits is great.

In view of the foregoing it is obvious that under the proposed increases in the fuel taxes the Nation's highway users are being called upon not only to pay the entire cost of the Federal highway program but to provide a probable surplus for the general budget as well.

ED EDMONDSON.

HAROLD T. JOHNSON.

DENVER D. HARGIS.

CHARLES H. BROWN.

FRANK SMITH.

GRACIE PFOST.

FRANK M. CLARK.

JOHN A. BLATNIK.

JOHN J. McFALL.

T. A. THOMPSON.

SUPPLEMENTAL VIEWS OF MR. MACK OF WASHINGTON, MR. CRAMER, MR. BALDWIN, MR. SCHWENGEL, MR. BROOMFIELD, MR. MUMMA, AND MR. McFALL WITH RESPECT TO SECTION 104 OF H.R. 8678 RELATIVE TO REIMBURSEMENT FOR TOLL ROADS AND FREEWAYS

The undersigned, after fully considering all the matters presented before the Committee on Public Works during hearings held by this and preceding sessions of the Congress, and other material and information available to the committee, are of the belief that reimbursement to the States for certain free and toll roads incorporated in the National System of Interstate and Defense Highways should be left to the determination of future sessions of Congress without any limiting provisions in H.R. 8678. It is well established that no Congress may encroach upon the authority of any succeeding Congress.

Under these circumstances it does not appear to be advisable to include section 104 in H.R. 8678.

The words "in money or in mileage" in the section 104 amendment appears to be an undesirable limitation upon future Congresses with respect to reimbursement. Future Congresses should be entirely free to determine whether or not a program should be initiated for the reimbursement to each State for every portion of a toll or free highway, bridge or tunnel within such State as is included in the Interstate System. The time and terms of any reimbursement program should remain an open question until the Congress reaches its final determination with respect to all phases of the problem.

The overall financial situation with respect to our Interstate Highway System is such that the question of reimbursement should be deferred until such time as the current financial problems have been solved. Any program of reimbursement cannot be equitable developed during periods when the entire program is in financial jeopardy.

The proposed reimbursement program is estimated by the Bureau of Public Roads to cost in excess of \$4.3 billion.

Our opposition to section 104 is based upon the conviction that it would be extremely unwise and adverse to attempt to make any reimbursement until the Interstate System program completion is assured. This appears to be several years in the future and Congress should always have a free hand to act in the light of conditions includ-

ing construction progress existing at the time reimbursement is finalized.

RUSSELL V. MACK.
WILLIAM C. CRAMER.
JOHN F. BALDWIN.
FRED SCHWENGEL.
WILLIAM S. BROOMFIELD.
WALTER M. MUMMA.
JOHN J. McFALL.

FURTHER SUPPLEMENTAL VIEWS OF MR. BROOMFIELD

Adequate highways are more than a matter of dollars and cents and high finance to our Nation and its people. They are a matter of life and death.

Between now and 1975, more Americans will lose their lives to traffic accidents than the combined deaths suffered by our troops in battle in the Civil War, the Spanish-American War, World War I, World War II, and Korea. This is not a situation which we anticipate with anything less than foreboding.

We are justly proud of the vast amount of new construction which has taken place on our 41,000-mile Interstate Highway System. It holds out such great hope for chopping this grim death toll considerably.

We are also proud of the effective action which Congress proposes to take in its consideration of H.R. 8678, which will permit us to continue construction of this new system of highways that will speed our travelers to their destinations in every corner of our Nation with greater safety, convenience, and speed in auto travel than they have ever experienced before.

But we are faced with a provision in this bill, tacked on at the last minute, which will slow down this vital highway construction by eventually diverting some \$4.2 billion in funds from the highway trust fund into unprofitable avenues and dead end streets far removed from the ultimate purpose of the Highway Act of 1956.

This amendment was proposed for the benefit of a few States which are not satisfied with a mere 90-percent payment by the Federal Government. They want more. We are asked to establish a policy of reimbursing toll road States for roads which have already been constructed and bridges which have already been built.

We are asked to set this precedent at a time when we don't know where our next dollar is coming from for new expressway construction, when we are faced next month with no uncommitted funds whatsoever left in our highway trust fund.

We are asked to ignore our national picture, our national planning of new highways to best serve our public interests.

In essence, we are asked to trade death for dollars. We are supposed to divert badly needed highway construction funds for the Interstate Highway System to satisfy bondholders on toll road systems who fear that traffic on these roads will not pay them enough money. That is what establishment of this policy contained in H.R. 8678 would accomplish by amending section 114 of the Federal-Aid Highway Act of 1956.

Every available cent of Federal funds should be put directly into new highway construction. The saving in lives, not even counting

property, is well worth the investment. We should stick to our original construction schedule as closely as possible. We should continue to build new highways where they are needed.

Already, these new expressways are cutting our traffic death toll. The ratio of traffic fatalities per mile driven is 1 to 7 as compared to ordinary roads. This total is expected to rise to 10 to 1 when drivers become more familiar with the new methods of handling their cars which these new highways demand.

One of our most prominent traffic engineers from one of our Nation's largest cities told me that traffic deaths on expressways are almost nonexistent in his community except where there is evidence that the driver was under the influence of liquor.

We are talking about life and death. We are talking about highways in the right places as soon as possible, as opposed to reimbursing States for road systems which have already been completed. We are talking about providing a pork barrel of public funds for a select few States at the expense of the other States in our Union.

In my opinion, the amendment to section 114 is completely unacceptable and has no place in this bill at this time. Once the Interstate Highway System is completed, we will have plenty of opportunity to consider paying for those toll roads and bridges which are incorporated into the Interstate Highway System.

Every new mile added to the Interstate Highway System means lives saved in the future. That is our primary consideration, not that the Federal Government bail out bondholders who would stand to make millions if this policy in section 114 should be carried out by Congress and become a matter of law.

WILLIAM S. BROOMFIELD.

EXPLANATION OF TITLE I OF THE BILL BY SECTIONS

An explanation of title I of the bill by sections, as amended by the Committee on Public Works, is as follows:

Section 101. Short title for bill

This section provides that the bill may be cited as the "Federal-Aid Highway Act of 1959."

Section 102. Decrease in authorization of appropriations for Interstate System for fiscal year 1961

Section 102 amends section 108(b) of the Federal-Aid Highway Act of 1956, as amended by section 7 of the Federal-Aid Highway Act of 1958, by decreasing the amount authorized for the Interstate System for fiscal year 1961 from \$2.5 billion to \$2 billion. The Committee on Public Works feels that it is necessary to reduce this authorization for the fiscal year 1961 by \$500 million because, based upon the information before it, the highway trust fund will not contain sufficient revenues to permit allocations for that fiscal year based upon a \$2.5 billion authorization.

Section 103. Approval of estimate of cost of completing the Interstate System

This section of the bill amends section 8 of the Federal-Aid Highway Act of 1958, as amended, by giving approval to the estimate of cost

of completing the Interstate System, transmitted to Congress in compliance with section 108(d) of the Federal-Aid Highway Act of 1956, published as House Document 300, 85th Congress, 2d session, as the basis for making during the calendar year 1960 the apportionment to the States of the funds authorized for the Interstate System for the fiscal year 1962.

Appointments of Federal-aid funds for the construction of the Federal-aid primary and secondary systems and extensions of those systems within urban areas (the so-called A-B-C funds) are made pursuant to a formula based upon factors of area, population, and post road mileage of each State. Apportionment of Federal funds authorized for the Interstate System, however, is based upon the estimated cost of completing the Interstate System, with the objective of bringing the Interstate System to simultaneous completion in all of the States. The estimate of cost of completing the Interstate System is prepared by the Secretary of Commerce in cooperation with the State highway departments and submitted to the Congress pursuant to the provisions of section 108(d) of the Federal-Aid Highway Act of 1956 (now codified as 23 U.S.C. 104(b)(5)).

Pursuant to the provisions of this statute, the first estimate of the cost of completing the Interstate System was submitted to the Congress on January 7, 1958. The law provides that these estimates, when approved by the Congress, shall be used as the basis for making apportionments of interstate funds for the fiscal years 1960, 1961, and 1962. Apportionments for subsequent fiscal years will be based upon subsequent estimates to be submitted by the Secretary of Commerce in 1961, 1966, 1967, and 1968.

Section 8 of the Federal-Aid Highway Act of 1958, as amended by Public Law 85-899, approved the estimate of cost of completing the Interstate System as the basis for making the apportionment of funds authorized for the Interstate System for the fiscal years ending June 30, 1960, and June 30, 1961. The new estimate of the cost of completing the Interstate System to be submitted to the Congress in January 1961 for use as the basis for apportioning funds for the Interstate System for fiscal years 1963, 1964, 1965, and 1966 will not be available in time to serve as a basis for apportionment during the calendar year 1960 of 1962 fiscal year funds. The estimate which was submitted to the Congress in 1958, therefore, should be approved in order to permit the apportionment of Interstate System funds for fiscal year 1962.

Section 104. Policy with respect to reimbursement for certain highways

Section 104 of the bill amends section 114 of the Federal-Aid Highway Act of 1956 to declare the intent and policy of the Congress to equitably reimburse each State in money or in mileage for portions of toll or free highways, bridges or tunnels on the Interstate System, which were completed subsequent to August 2, 1947, or which have been placed under construction by contract awarded not later than June 30, 1957.

This matter has been under consideration by the Congress for several years and has been the subject of extensive study by the Department of Commerce pursuant to the requirements of section 114 of the Federal-Aid Highway Act of 1956 and Public Law 845 of the 85th Congress.

After due consideration of the many elements involved in any proposal for reimbursement to the States for these highways, the committee feels that it should now be declared the policy of Congress that reimbursement be made to States which have constructed portions of highways on the Interstate System as toll or free roads financed entirely with State funds or at a rate of Federal participation less than that authorized for such projects by the Federal-Aid Highway Act of 1956.

While, under this provision, Congress establishes the policy that equitable reimbursement will be made at some time in the future, it is clear that it would not be financially feasible to accomplish that purpose at the present time. When it is appropriate, the Congress can provide for an adequate and practical method of carrying out the intent and policy being set by this section.

TITLE II—INTERNAL REVENUE CODE AND HIGHWAY TRUST FUND AMENDMENTS

The Committee on Public Works has received the following letter from the Committee on Ways and Means:

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Washington, D.C., September 1, 1959.

HON. CHARLES A. BUCKLEY,
*Chairman, Committee on Public Works,
U.S. House of Representatives.*

MY DEAR MR. CHAIRMAN: In accordance with the agreement which has been worked out between the Committee on Ways and Means and the Committee on Public Works, I am enclosing the material relative to title II of H.R. 8678, for inclusion in the committee report which your committee will make on that bill to the House of Representatives.

As you know, since the financing provisions of title II are within the jurisdiction of the Committee on Ways and Means, it was agreed that our committee would make the policy decisions on these provisions and draft language carrying out these decisions. This language is embodied in title II of H.R. 8678. The attached material constitutes the report of the Committee on Ways and Means on Title II, as well as the separate, supplemental, and minority views with regard to this title.

With kind personal regards, I am

Sincerely yours,

WILBUR D. MILLS, *Chairman.*

The explanation furnished to the Committee on Public Works by the Committee on Ways and Means is set forth below.

A. GENERAL STATEMENT

Title II is designed primarily to provide additional revenue for the Federal-aid highway program which is financed through the highway trust fund. Without legislation providing further funds for this program it is estimated that there would be a deficit in the trust fund by the end of the fiscal year 1960 of \$490 million, assuming provision is

made for the payment of apportionments already made. At the end of the fiscal year 1961 an accumulated deficit of \$980 million is in prospect even if no further apportionments are made, and if the apportionments now authorized are made, it is estimated that there would be an accumulated deficit of \$1,305 million in the fund in that year.

To meet this immediate problem this title provides for—

1. The imposition of an additional 1 cent tax on gasoline, diesel fuel, and special motor fuels for the 22-month period beginning September 1, 1959, and ending June 30, 1961. For this period this generally will raise gasoline and related fuel taxes to 4 cents a gallon.

2. The allocation to the highway trust fund of 5 percentage points of the manufacturers' excise tax on passenger cars, etc., and of 5 percentage points of the tax on auto parts and accessories. This allocation is to be made for the 3-year period beginning on July 1, 1961, and ending on June 30, 1964.

The gasoline and related fuel taxes are expected to increase revenues of the highway trust fund by \$383 million in the fiscal year 1960, by \$577 million in the fiscal year 1961, and by \$75 million in the fiscal year 1962, or result in an increase in highway trust fund revenues of \$1.035 billion. The passenger car and auto parts taxes are expected to increase revenues of the highway trust fund by \$802 million in the fiscal year 1962, by \$831 million in the fiscal year 1963, and by \$854 million in the fiscal year 1964. This will result in an increase in the highway trust fund revenues during this 3-year period of \$2.487 billion. This, together with the additional gasoline and related fuel taxes added by this bill will result in additional revenues for the highway trust fund during the 5 fiscal years immediately ahead of \$3.522 billion.

This additional revenue, combined with the present revenues of this fund, the Committee on Ways and Means has been informed, will make it possible to provide for apportionments for the Interstate System of \$1.8 billion for the fiscal year 1961 and \$2 billion for the fiscal year 1962. This is in addition to the \$2.5 billion of apportionments already made for the fiscal year 1960. These apportionments can be made without any further suspension of the limitation on the trust fund, the so-called Byrd amendment, which limits apportionments, with respect to the Interstate System, to the anticipated amount in the fund at the time the apportionments are expected to be translated into trust fund expenditures. Thus, there is expected to be no deficit in the highway trust fund, with these additional revenues, for 1961 or any subsequent year through the fiscal year 1964. A small deficit of approximately \$107 million, which it is anticipated will exist at the close of the fiscal year 1960, can be provided for by administratively controlling year-end payments. In addition, a temporary deficit during the fiscal year 1960 of about \$300 million must be provided for by temporary borrowing from the general fund. However, this can be repaid to the general fund from trust fund receipts before the end of the fiscal year 1960 except for the \$107 million referred to above. Temporary borrowing will also be necessary during the fiscal years 1961 and 1962, but this will not result in any year-end deficits which are the figures used in determining the apportionments which can be made under the Byrd amendment.

The additional revenues provided by title II will continue the highway trust fund on an independently financed basis and will mean that the highway program will have no effect on the general Government budget in the fiscal years 1960 or 1961. Even in the 3 following years it need have little effect upon the general budget since only 7 of the present 10 percentage points of the manufacturers' tax on passenger automobiles now in effect are allocated to the general fund for the fiscal years 1962 through 1964 and in the case of the tax on auto parts and accessories only 5 of the 8 percentage points now in effect are allocated to the general fund for these years.

The bill also makes a change relating to the time of the imposition of the gasoline tax. Presently, this tax is payable by the producer or importer at the time he makes his sale. Thus, in the case of the integrated company no tax is collected until after the time of the sale to the service station or to the ultimate consumer. Where sales are made to independent wholesalers, however, the tax is presently collected at the time of that sale. This bill permits the wholesale distributor to purchase gasoline tax free and then pay the tax at the time of his sale. This is accomplished by treating the wholesale distributors of gasoline as "producers" for purposes of this tax. This change is to be effective on January 1, 1960.

B. REASONS FOR THE HIGHWAY FINANCING PROVIDED BY THE BILL

In 1956 the Congress enacted a greatly expanded program of Federal aid for interstate highways. At that time Congress decided that this Interstate System, as well as the other Federal-aid highway programs (usually referred to as the ABC program) should be separately financed through a special highway trust fund in order to maintain these programs on an independent basis. Such a highway trust fund was established for the 16-year period from June 30, 1956, to July 1, 1972. Into this trust fund are deposited certain highway-user excise taxes, namely, all of the taxes on gasoline, diesel fuel, special motor fuel, tread rubber, tires of the type used on highway vehicles (taxed at 8 cents per pound), other tires (taxed at 5 cents per pound), and inner tubes and on the use of highway vehicles weighing over 26,000 pounds. In addition, half of the 10-percent manufacturers' tax on trucks, buses, and trailers goes into the fund. From these receipts the expenditures required by both the Interstate System, estimated at \$25 billion for the Federal Government's share in 1956, and the ABC (primary, secondary, and urban) highway programs are financed.

A special subsection (section 209(g)) in the Highway Revenue Act of 1956, frequently referred to as the Byrd amendment, was designed to give assurance that on a year-by-year basis no deficit would develop in the highway trust fund. This result was to be obtained by requiring that before apportionments of Federal-aid highway funds can be made to the States for the Interstate System, estimates must be made of the revenues which are expected to be in the fund at the time the expenditures arising from the apportionments occur. Then, to the extent that these estimates show that there would be any deficiency in the fund, the Secretary of Commerce is required to reduce the apportionments to the States.

At the time of the adoption of the new Federal-aid highway program in 1956 it was anticipated that the trust fund would be self-financing

over the entire 16-year period although it was anticipated that there would be reductions in apportionments in the early year of the program to be made up in the latter years. A number of events have occurred, however, since that time which have altered these expectations. Some of these are of a short-run character and have an immediate effect on the highway trust fund, while others are expected to have more of a long-term impact. Title II of this bill is intended to meet only the former, as the Congress will have opportunity to deal with the latter following the receipt of a highway-user cost allocation study report from the Bureau of Public Roads in January 1961.

Short-term financing problems.—The immediate problem confronting the highway trust fund in large measure arises from the action taken by Congress last year in Public Law 85-381 (72 Stat. 89; approved Apr. 16, 1958). Under the action in 1958, Congress increased by \$1.6 billion the immediate drain on funds in the highway trust fund. This resulted both from the suspension for the fiscal years 1959 and 1960 of the Byrd amendment limiting apportionments and from specific directions to increase apportionments for these 2 years. The effect was to increase apportionments for the Interstate System by \$200 million for the fiscal year 1959 and by \$900 million for the fiscal year 1960. As an antirecession measure, this act also directed that \$400 million additional be apportioned under the ABC program and for \$115 million in loans to be made available under this program, of which \$103 million has actually been obligated. The act provided that this \$400 million of apportionments and the loans under the ABC program, since they were antirecession measures, were to be placed under construction by December 1, 1958, for completion by December 1, 1959. All of these funds were contracted by the States.

As a result of these actions taken in 1958, the highway trust fund at the end of the fiscal year 1960, if no further revenues are provided, would have a deficit of \$490 million assuming the Federal Government provides funds for payment of existing apportionments. By the end of the fiscal year 1961 this deficit in the highway trust fund would have increased to \$1.305 billion, if the apportionments as authorized were made without giving account to the limitation provided by the Byrd amendment.

Long-term financing problems.—The problem is not limited, however, to the short run. Testimony of the Federal Highway Administrator before the Committee on Ways and Means indicated that the Federal share of the estimated cost of completing a 40,000-mile Interstate System has risen from the \$25 billion estimated in 1955 to a current estimate of \$36 billion.

The Federal Highway Administrator in his testimony before the Committee on Ways and Means pointed out that the 1955 estimate was of necessity a preliminary estimate because of the limited time available to prepare one prior to consideration of the 1955-56 legislation, and that as a result much of the estimate was based on preliminary data. He also stated that there were several other reasons accounting for the increased costs and presented a table, shown below as table 1, which presents an analysis of this increase in cost. He stated that an increase of \$1.3 billion was attributable to the development of more recent traffic data and information showing the need for more traffic lanes, which in turn affected the cost of the road base, shoulders, and other roadway features. Another increase of \$3.8 billion was at-

tributable to the local needs of small cities and communities which required changes in the location of the highways in some cases and increases in the number of interchanges. Other items not included in the 1955 estimate, such as utility relocations, provision for uniform signs on the Interstate System, and lighting under certain conditions, resulted in a further increase in cost of \$800 million. According to the testimony of the Federal Highway Administrator, still another \$4.1 billion of the increase can be traced to the 12-percent rise in highway construction costs between mid-1954 and the last half of 1956. Of this total of \$10 billion, \$8.9 billion represents the Federal Government's share of the cost increases for the highways planned in the 1956 legislation. However, the actual measured miles between the cities and border points used as the basis for the 1955-56 estimate were found to be 38,548 miles as compared to the figure of 40,000 miles which was authorized in the 1956 legislation, leaving 1,452 miles of the 40,000 undesignated. In 1957 the Department of Commerce designated 1,102 miles out of this 1,452 miles to specific roads, reserving the remaining 350 miles to be certain that the 40,000-mile limitation was not exceeded during actual construction. The estimated cost of the 1,102 miles already designated, and the 350 miles now held in reserve is \$1.6 billion, representing a charge against Federal funds of \$1.5 billion. In addition, an item of \$700 million has been included to cover contingencies. Thus it was indicated that the rise of the Federal Government's share of the cost of the program from \$25 billion to \$36 billion for a 40,000-mile Interstate System can be accounted for by the \$8.9 billion of costs attributable to the roads designated in 1956, to the \$1.5 billion for the additional mileage, and to the \$600 million for contingencies.

The Committee on Ways and Means is deeply concerned with these rising costs and believes that they require careful review over the next few years.

TABLE 1.—1955 estimate of cost; amounts the 1955 estimate was insufficient to cover the conditions estimated in 1957; the resultant 1958 estimate; and additional amounts to complete a 40,000-mile Interstate System

[In billions]

Item	Total	Estimated costs	
		Federal share	State share
1955 estimate.....	\$27.6	\$25.0	\$2.6
5 percent increase due traffic.....	1.3	1.2	0.1
15 percent increase due local needs.....	3.8	3.4	0.4
3 percent increase due utilities and miscellaneous.....	0.8	0.7	0.1
12 percent increase due price increase.....	4.1	3.6	0.5
Subtotal.....	10.0	8.9	1.1
1958 estimate (subtotal).....	37.6	33.9	3.7
Increase due 1,452 miles added routes.....	1.6	1.5	0.1
Carryover and contingency.....	0.7	0.6	0.1
Total to complete a 40,000-mile system.....	39.9	36.0	3.9

General conclusions of the committee.—As indicated by the information set forth above, there are two aspects to the financial problem of the highway trust fund. First there is the problem of the prospect of a deficit of \$490 million for the fiscal year 1960 based upon appor-

tionments already made, together with the likelihood that the deficit will go to \$1.305 billion by the end of the fiscal year 1961 if planned apportionments for that year are to be met (or \$980 million if no additional apportionments are to be made in that year). Second, there is the long-run problem of how to finance a \$36 billion Federal interstate highway program instead of the \$25-billion program initially contemplated.

After careful consideration, the Committee on Ways and Means concluded that it would be necessary to concentrate its major effort at this time on a solution of the short-run problem, postponing further consideration of the long-run problem until after there is an opportunity for Congress to consider the report on the highway cost allocation study to be submitted to Congress on January 3, 1961. The purpose of this study is to determine what taxes should be imposed by the United States, and in what amounts, in order to insure, insofar as practical, an equitable distribution of the tax burden among the various classes of persons using the Federal-aid highways or otherwise deriving benefits from these highways. The additional revenues of \$3.5 billion which this bill provides for the highway trust fund relates to the immediate financial problem.

Specific revenue measures provided.—To meet the short-term problem, title II of this bill provides for a temporary 1-cent increase in the gasoline, diesel fuel, and special motor fuels taxes for the remainder of this year and next year. Then for the 3-year period which follows it provides for an allocation to the trust fund of 5 percentage points of the taxes on passenger cars and auto parts and accessories. The Committee on Ways and Means, after extended deliberations on this aspect of the problem decided that for this year and next it was necessary to provide new revenues to meet the highway trust fund deficit since a diversion of revenues from the general fund could well lead to unbalanced budgets in this period. The fiscal years 1962, 1963, and 1964 are sufficiently far in advance, however, so that there should be ample time to review the effect of the allocation to the trust fund of the passenger car and auto parts and accessories taxes in formulating the budgets for those years, as well as adequate opportunities to reconsider the methods of financing the highway trust fund for those years.

For those years the applicable manufacturers' excise tax rate under existing law for passenger cars is 7 percent for the fiscal year 1961 and subsequent years instead of the 10 percent applicable this year, and for auto parts and accessories is 5 percent instead of 8 percent. If it should be decided to continue present rates, revenues presently allocable to the general fund for those years could be maintained except for the diversion in revenues represented by the difference between the 5 percent and 7 percent in the case of the passenger car tax and the difference between the 3 percent and 5 percent on auto parts.

The increase of 1 cent in the gasoline tax will leave an anticipated deficit for the fiscal year 1960 which can be met only by postponing yearend payments. With the 1-cent increase in the gasoline tax, the funds in the trust fund are expected to be large enough to provide for apportionments to the States for the fiscal year 1961 of about \$1.8 billion, rather than the \$2.5 billion presently authorized.

In view of the uncertainties as to the types of taxes which should be imposed in arriving at an appropriate distribution of the burden of paying for the highway program, the Committee on Ways and Means believed it was inappropriate to attempt any solution at this time to the long-run financing problem. This also was a factor in the committee's decision to impose the additional gasoline tax only for the remainder of this year and next, rather than depending on this revenue source for the entire 5-year period for which additional funds are provided for the trust fund. This seemed especially appropriate since it is the passenger car and auto parts and accessories taxes which are allocated to the fund in the latter 3-year period.

C. GENERAL EXPLANATION OF THE HIGHWAY FINANCING PROVIDED BY THE BILL

Title II of this bill increases the taxes on gasoline, diesel fuel, and special motor fuel from 3 cents a gallon in the case of highway use to 4 cents a gallon. This 1-cent increase is a temporary tax applying only for the period from September 1, 1959, to June 30, 1961. Provision is also made for a 1-cent floor stock tax for gasoline held on September 1, 1959, by dealers. Appropriate changes are also made in the credit and refund provisions in order to give assurance that the additional tax will not apply in the case of gasoline used for certain nonhighway purposes or by local transit systems, and also will not apply in the case of gasoline used on the farm for farming purposes. Table 2 shows that \$383 million is expected to be derived from these motor fuel taxes in the 10 months these motor fuel taxes will be effective in the fiscal year 1960, and that \$577 million is expected to be derived from these taxes in the full 12 months in which they are to be effective in the fiscal year 1961. These amounts expected to be received over the 2-year period from this revenue source plus \$75 million expected in the next year are expected to increase the total revenue raised in this manner to \$1.035 billion.

TABLE 2.—*Highway Trust Fund revenues, actual for fiscal years 1957-59 and estimated for 1960-73*

[In millions of dollars]

Revenues under present law										Revenues added by bill			Total present and new revenues available under bill
Manufacturers' taxes on					Truck use tax, vehicles over 26,000 pounds	Interest	Total revenues available under present law	Manufacturers' taxes on			Total revenues added by bill		
Gasoline and other motor fuels, 3 cents 1 per gallon	Trucks, buses, and trailers, 5 percent	Tread rubber, 3 cents per pound	Tires, 8 cents per pound	Inner tubes, 9 cents per pound				Gasoline and other motor fuels, 1 cent 1 per gallon	Passenger automobiles, 5 percent	Automobile parts and accessories, 5 percent			
1957	1,326	34	11	82	26	3	1,482	---	---	---	1,482		
1958	1,608	111	13	244	33	18	2,044	---	---	---	2,044		
1959	1,657	107	14	247	34	13	2,087	---	---	---	2,087		
1960	1,692	114	14	247	35	5	2,122	383	---	383	2,505		
1961	1,751	122	15	256	36	---	2,195	577	---	577	2,772		
1962	1,819	129	16	264	37	---	2,280	75	---	75	3,157		
1963	1,861	131	17	270	38	---	2,332	---	690	112	3,163		
1964	1,910	134	18	276	39	---	2,392	---	715	116	3,246		
1965	1,900	138	19	283	40	---	2,455	---	735	119	3,246		
1966	2,011	143	20	290	41	---	2,520	---	---	---	2,520		
1967	2,064	146	21	298	42	---	2,586	---	---	---	2,586		
1968	2,119	151	22	307	43	---	2,657	---	---	---	2,657		
1969	2,176	155	23	315	44	---	2,738	---	---	---	2,738		
1970	2,233	158	24	324	45	---	2,799	---	---	---	2,799		
1971	2,292	163	25	332	46	---	2,873	---	---	---	2,873		
1972	2,354	168	26	341	47	---	2,951	---	---	---	2,951		
1973 2	291	12	4	21	---	---	328	---	---	---	328		

¹ Tax receipts less refunds.² From liabilities accrued prior to July 1, 1972, less floor stocks refunds where applicable.

For the fiscal years 1962, 1963, and 1964 the bill provides that 5 percentage points of the manufacturers tax on passenger cars, etc., and 5 percentage points of the manufacturers excise tax on automotive parts and accessories are to be allocated to the highway trust fund. The rates presently applicable in the case of these taxes are 10 percent in the case of passenger cars, etc., and 8 percent in the case of automotive parts and accessories but these rates are scheduled as of June 30, 1960, to be reduced to 7 percent and 5 percent, respectively. As is indicated by table 2, the tax on passenger cars is expected to increase the highway trust fund revenues from \$690 million to \$735 million in each of the 3 years in which it is applicable, or result in an overall increase for the 3-year period of \$2.14 billion. The portion of the tax on automotive parts and accessories allocated to the trust fund is expected to increase trust fund revenues by from \$112 million to \$119 million in each of the 3 years involved or in total result in an increase of \$347 million in highway trust fund revenues. The combined effect of these two additional revenue sources for the highway trust funds is an overall revenue increase for the fund of \$2.487 billion. Together with the \$1.035 billion increase resulting from the higher motor fuel taxes, this is expected to result in an overall increase in highway trust fund revenues for the 5-year period involved of \$3.522 billion.

In addition to the new revenues provided by this bill for the 5-year period up to June 30, 1964, the highway trust fund revenues presently include a 3 cents-a-gallon tax applicable in the case of gasoline (although certain refunds for 1 cent of this tax are available in the case of specified nonhighway and local transit use and 3-cents-a-gallon credits in the case of farm uses are provided), a 3-cent-a-gallon tax with respect to diesel fuel (subject to similar credits) and a 3-cent-a-gallon tax with respect to special motor fuels. All of these taxes are scheduled as of June 30, 1972, to revert to 1½ cents a gallon at which time this revenue will go back to the general fund.

Present revenue sources of the highway trust fund also include the 8 cents a pound tax on highway tires, the 5 cents a pound tax on other tires and the 9 cents a pound tax on inner tubes, as well as the 3 cents a pound tax on tread rubber. In addition, half of the 10 percent manufacturers' tax on the sale of trucks, buses, trailers, etc., goes into the highway trust fund, as well as the entire \$1.50 per thousand pound tax (per year) on highway vehicles weighing more than 26,000 pounds. As indicated in table 2, these present law taxes are expected to raise slightly more than \$2.1 billion in revenue in 1960 and gradually increase to a level of nearly \$3 billion a year in 1972.

Tables 3 and 4 show the apportionments, expenditures, revenues, and highway trust fund balances from 1957 to 1972 with and without giving effect to the additional revenues provided by this bill. These tables, supplied by the Bureau of Public Roads, show that apportionments for the Interstate System under the bill can be \$1.8 billion for the fiscal year 1961, \$2 billion for 1962 and from \$1.6 billion to \$2 billion thereafter. This will enable the Interstate System to maintain an expenditure level at or near \$2 billion through the fiscal year 1964. Failure to enact this title, on the other hand, would mean that no apportionments may be made under the Interstate System

for 1961, and only \$500 million for 1962. With these apportionments the expenditures for the Interstate System could be expected to drop to about \$800 million in 1963.

TABLE 3.—*Estimated status of highway trust fund under proposed legislation*

[In millions of dollars]

Fiscal year	Apportionments		Expenditures		Revenues			Balance in the fund on June 30
	Interstate	Primary, secondary, and urban ¹	Interstate	Primary, secondary, and urban ¹	Present sources	Additional	Total	
From before 1957.....	140	965						
1957.....	1,175	832	208	758	1,482		1,482	+516
1958.....	1,700	859	675	836	2,044		2,044	+1,049
1959.....	2,200	1,388	1,501	1,112	2,087		2,087	+523
1960.....	2,500	910	2,025	1,110	2,122	383	2,505	-107
1961.....	1,800	883	1,755	910	2,195	577	2,772	0
1962.....	2,000	884	2,000	897	2,280	877	3,157	+260
1963.....	1,600	935	2,000	911	2,332	831	3,163	+512
1964.....	1,600	935	2,200	936	2,392	854	3,246	+622
1965.....	1,600	935	1,575	936	2,455		2,455	+566
1966.....	1,600	935	1,600	936	2,520		2,520	+550
1967.....	1,800	935	1,650	935	2,586		2,586	+551
1968.....	1,800	935	1,725	935	2,657		2,657	+548
1969.....	1,900	935	1,775	935	2,728		2,728	+566
1970.....	2,000	935	1,875	935	2,799		2,799	+555
1971.....	1,986	935	1,925	935	2,873		2,873	+568
1972.....		935	2,584	935	2,951		2,951	0
After 1972.....			328		² 328		2,328	0
Total.....	27,401	16,071	27,401	14,952	38,831	3,522	42,353	0

¹ Includes emergency relief program, as well as special funds totaling \$503 million apportioned for 1959.

² Receipts on tax liabilities accrued prior to July 1, 1972.

TABLE 4.—*Estimated status of Highway Trust Fund under existing legislation*

[In millions of dollars]

Fiscal year	Apportionments		Expenditures		Revenues	Balance in the fund on June 30
	Interstate	Primary, secondary, and urban ¹	Interstate	Primary, secondary, and urban ¹		
From before 1957..	140	965				
1957.....	1,175	832	208	758	1,482	+516
1958.....	1,700	859	675	836	2,044	+1,049
1959.....	2,200	1,388	1,501	1,112	2,087	+523
1960.....	2,500	910	2,025	1,110	2,122	-490
1961.....	0	883	1,775	910	2,195	-980
1962.....	500	884	1,000	897	2,280	-597
1963.....	1,600	935	824	911	2,332	0
1964.....	1,600	935	1,456	936	2,392	0
1965.....	1,600	935	1,400	936	2,455	+119
1966.....	1,600	935	1,400	936	2,520	+303
1967.....	1,800	935	1,500	935	2,586	+454
1968.....	1,800	935	1,725	935	2,657	+451
1969.....	1,900	935	1,775	935	2,728	+469
1970.....	2,000	935	1,875	935	2,799	+458
1971.....	1,764	935	1,925	935	2,873	+471
1972.....		935	2,487	935	2,951	0
After 1972.....			328		² 328	0
Total.....	23,879	16,071	23,879	14,952	38,831	

¹ Includes emergency relief as well as special funds, totaling \$503,000,000 apportioned for 1959.

² Receipts on tax liabilities accrued prior to July 1, 1972.

D. PROVISION TREATING WHOLESALE DISTRIBUTORS AS PRODUCERS FOR PURPOSES OF THE GASOLINE TAX

Under present law the Federal tax on gasoline is imposed on the producer or importer of the gasoline and is payable by him shortly after he makes the sale. This means that the refiner or major oil company on sales directly to a service station does not have to pay the tax until after its sale to the retailer, and in those cases where the oil company owns the service stations it does not have to pay the tax until after the gasoline is sold to the ultimate consumer. In the case of sales to a wholesale distributor or jobber, however, the tax must be paid at the time he makes his purchase.

The effect of this treatment under present law is to require the independent wholesale distributors to buy their gasoline on a taxpaid basis and, therefore, also to carry their inventory on a taxpaid basis. On the other hand, the major oil companies which sell directly to the service station, or own their own service stations and sell directly to the consumer, need not pay any tax on their inventories. Testimony presented before a subcommittee of the Committee on Ways and Means in 1956 indicated that the average jobber had a permanent inventory of 50,000 gallons of gasoline which represents \$2,000 (with the 4 cents Federal gasoline tax) he has tied up in his inventory—a capital cost not borne by his larger integrated competitor.

In addition, since the gasoline tax is based upon the volume of gasoline the wholesale distributor purchases, he not only pays tax on the volume of gasoline he resells but also on the gasoline he loses through evaporation and spillage. Testimony on this point has indicated that jobber losses due to evaporation and spillage amount to upward of 2 percent of the total volume handled. On the basis of 1.2 million gallons of gasoline purchased annually by the average wholesale distributor, assuming 2 percent evaporation and spillage this means that with the 4-cent tax he will lose annually gasoline on which he has paid \$960 in Federal taxes. This is an annual payment which his integrated competitor does not have to make, since he pays tax only on the gasoline he sells and not on his losses through evaporation and spillage. This is a discrimination which many States have recognized and removed by granting the wholesale distributors special evaporation and spillage allowances.

To remove these discriminations this provision provides that a wholesale distributor is to be treated as a producer; that is, the wholesaler distributor will be able to buy gasoline on a tax-free basis and pay the tax at the time he makes his sale.

While it is recognized that this will increase somewhat the number of taxpayers for the gasoline tax, it is believed this is an administrative cost well worth paying in order to remove the discriminations against the independent gasoline wholesale distributors. Moreover, it is believed that this new group of taxpayers will present relatively few problems in obtaining taxpayment since for the most part they already are taxpayers for the State gasoline taxes. Moreover, many of them may also be Federal taxpayers for purposes of the taxes on diesel fuel and special motor fuels. In addition, the administrative problems in this respect should be eased by the fact that the wholesale distributor must comply with the registration and bonding requirements provided by the Internal Revenue Service with respect to the gasoline tax

before he may be treated as a producer and buy gasoline on a tax-free basis.

Under the provision, wholesale distributors who may qualify as producers are defined as persons, not otherwise qualifying as producers, who sell gasoline to producers, to retailers, or to users who purchase in bulk quantities for delivery into bulk storage tanks, if they also are registered and bonded for the gasoline tax.

This provision is effective beginning on January 1, 1960. Therefore, wholesale distributors, who become registered and bonded, are to be treated as producers of (and thus taxpayers with respect to) gasoline sold by them beginning on that date or any later date on which they become registered and bonded. However, they will be able to claim credit for gasoline previously purchased on which they have already paid tax.

It is estimated that this provision, based on a 4 cents per gallon gasoline tax, will result in an annual revenue loss of from about \$3 million to \$11 million based on estimated 1960 levels of income. In addition, there also will be a revenue loss, estimated at \$33 million, in the initial year of operation due to the shifting forward of the tax payment to the time the wholesale distributor makes his sale.

E. TECHNICAL EXPLANATION OF TITLE II, INTERNAL REVENUE CODE, AND HIGHWAY TRUST FUND AMENDMENTS

SECTION 201. TEMPORARY INCREASE IN MOTOR FUEL TAXES, ETC.

Increase in tax on gasoline

Subsection (a) of section 201 amends section 4081 of the 1954 code with respect to the present 3 cents a gallon excise tax sold by producers or importers. For the period from September 1, 1959, to June 30, 1961, inclusive, the rate of tax is increased to 4 cents per gallon, in lieu of the present 3 cents a gallon rate.

Increase in diesel fuel and special motor fuel taxes

Subsection (b) of section 201 amends section 4041 of the 1954 code to increase the present retail and use taxes on diesel fuel and on special motor fuel from 3 cents a gallon to 4 cents a gallon for the period from September 1, 1959, to June 30, 1961, inclusive. Corresponding changes are also made in the application of subsections (a) and (b) of section 4041 of the code, so that in those cases where the tax under paragraph (2) of those subsections is 1 cent a gallon, the tax would be increased to 2 cents a gallons for the same period.

1959 floor stocks tax on gasoline

Section 201(c)(1) adds a new paragraph (5) to section 4226(a) of the code to impose a floor stocks tax of 1 cent per gallon on gasoline held on September 1, 1959, by a dealer for sale. The new tax is the difference between the present tax (3 cents a gallon) and the tax imposed under this bill (4 cents a gallon). The floor stocks tax on gasoline will not apply to retail stocks of gasoline held at the place where intended to be sold at retail nor to gasoline held for sale by a producer or importer of gasoline. Under section 201(c)(2), a new clause is added to section 4226(d) of the code which provides, in effect, that the floor stocks tax imposed by section 4226(a)(5) of the code shall be paid at such time after November 30, 1959, as may be prescribed by the Secretary of the Treasury or his delegate.

Section 201(c)(3) is a technical conforming amendment to conform a cross reference to a change made by section 201(c)(4).

1961 floor stocks refund on gasoline

Section 201(c)(4) amends section 6412(a) of the 1954 code by re-numbering paragraph (3) thereof as paragraph (4) and inserting a new paragraph (3) which relates to a floor stocks refund with respect to gasoline held on July 1, 1961. New paragraph (3) of section 6412(a) provides for a floor stock refund, without interest, with respect to gasoline held by a dealer on July 1, 1961, and intended for sale at the time the gasoline tax is reduced from 4 cents a gallon to 3 cents a gallon (i.e., July 1, 1961) and will be in an amount equal to the difference between the tax paid by the producer or importer and the amount of tax made applicable to gasoline on July 1, 1961 (the tax reduction date).

The uniform procedure provided in section 6412(a) for filing claims for floor-stocks refund or credit is continued with respect to the floor stocks refunds mentioned above. Thus, the producer or importer who paid the tax must file a claim for floor-stocks refunds or credit on or before November 10, 1961, based on a request submitted to him before October 1, 1961, by the dealer who held the floor stocks of gasoline in respect of which refund or credit is claimed. Refund or credit will not be allowed unless within the time fixed for filing the claim (i.e., on or before November 10, 1961), reimbursement has been made to the dealer by the producer or importer or the written consent of the dealer to the allowance of the credit or refund has been obtained by the producer or importer. The new paragraph (3) also provides that no credit or refund shall be allowable with respect to gasoline in retail stocks held at the place where intended to be sold at retail nor with respect to gasoline held for sale by a producer (within the meaning of sec. 4081 of the 1954 code, as amended by the bill) or importer of gasoline.

Conforming changes in credit and refund provisions of 1954 code

Subsection (d) of section 201 makes certain changes in the credit and refund provisions of sections 6416(b)(2) and 6421 (a) and (b)(1)(A) of the 1954 code to reflect the increased rates in amount permitted as refunds or credits. Thus under section 6416(b)(2) (H), (I) and (J) (relating to diesel fuel and special motor fuels used for certain non-highway purposes or by local transit systems) if a tax of 4 cents a gallon had been paid with respect to the diesel fuel or special motor fuel which had been used in the manners described therein, the refund would be computed at a rate of 2 cents a gallon rather than 1 cent a gallon. Similarly, the refund under section 6421(a) is increased to 2 cents a gallon where tax with respect to the gasoline used as provided therein was paid at the rate of 4 cents a gallon. A similar adjustment is made to the maximum refund available under section 6421(b)(1) (relating to gasoline used for certain nonhighway purposes or by local transit systems.)

Collection of gasoline tax at wholesale distributor level

Subsection (e) of section 201 amends section 4082 of the 1954 code to make certain "wholesale distributors" statutory producers. Specifically the definition of producer in the first sentence of section 4082(a) is amended by adding thereto wholesale distributors. A new subsection (d) is added to section 4082 to define wholesale

distributor as any person who sells gasoline to producers, to retailers, or to users who purchase in bulk quantities for delivery into bulk storage tanks, and who is registered and bonded with regard to the tax imposed on gasoline. The "dealer who sells exclusively to producers" specifically included in the definition of producer under existing law has been excluded from the definition of producer because of the scope of the definition of "wholesale distributor."

Thus under this amendment, a wholesaler who either sells to producers (including persons who are producers by reason of the amendment), to retailers, or to users who purchase in bulk quantity may, if he desires to do so, become a "producer" for purposes of the tax by registering and giving bond. As a producer, he incurs liability upon his sale of gasoline and in turn he may purchase gasoline tax free. Thus, anyone, who under present law is a statutory producer by virtue of being a "dealer who sells exclusively to producers" may continue to be a producer because he sells to producers and is registered and bonded. The test in 4082(d)(1) is not an exclusive test so that a "wholesale distributor" may sell to either or all of the types of customers enumerated therein, in addition to being able to sell to anyone else.

The last sentence in the new section 4082(d) is added to make clear that anyone who qualifies as a producer, otherwise than a wholesale distributor (i.e., a refiner, compounder, blender, or actual producer), may not claim that he is a "wholesale distributor" with an option as to whether or not he wishes to qualify as a producer by registering and giving bond.

Wholesalers who qualify as producers in accordance with the provisions of the new subsection (d) of section 4082 often will have tax-paid stocks of gasoline on hand at the time they so qualify. A wholesaler who has so qualified, and who incurs tax liability on his sale of tax-paid stock, will be entitled to a credit against such tax liability for the tax previously paid on such gasoline. For the purposes of this provision, a wholesaler will be assumed to sell gasoline which is on hand at the time of his qualifying under section 4101 before selling gasoline subsequently acquired. The treatment outlined here follows the practice under present law where a producer acquires tax-paid gasoline and resells it.

The amendments made by section 201(c) become effective January 1, 1960.

SECTION 202. TRANSFERS TO HIGHWAY TRUST FUND

Transfers to trust fund

Section 202(a) amends section 209(e) of the Highway Revenue Act of 1956 by renumbering paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by adding a new paragraph (2). This new paragraph appropriates to the trust fund amounts equivalent to the taxes which would have been received in the Treasury under section 4061(a)(2) and (b) (tax on passenger automobiles and parts and accessories) after June 30, 1961, and before July 1, 1964, had the applicable rate of tax been 5 percent in lieu of the rate then applicable. Under this provision, if any such tax received in the Treasury during any applicable period was imposed at a rate, for example, of 7 percent of the sales price, then the amount appropriated to the trust fund with

respect to such period is five-sevenths of the amount of such tax received in the Treasury.

Conforming amendments

Section 202(b) makes conforming amendments to section 209 of the Highway Revenue Act of 1956. Under the amendment made by paragraph (2), the Secretary of the Treasury will from time to time transfer from the trust fund to the general fund of the Treasury amounts equivalent to the floor stocks refunds made before July 1, 1962, with respect to gasoline held by dealers on July 1, 1961 (see explanation of section 201(e)(4)). This provision conforms to the treatment provided by existing law in the case of floor stocks refunds on gasoline held on July 1, 1972.

F. SUPPLEMENTAL VIEWS

The signatories to these supplemental views have lent their reluctant support to title II of H.R. 8678. Our decision is based on our conclusion reached during the extensive executive sessions held by the Committee on Ways and Means on highway financing that title II constituted the only financing proposal that could be agreed upon at this time by a majority of the committee membership.

We are concerned that if no legislation passes the Congress in this session, the Federal Government will be placed in the position of delaying payment on current obligations, of causing an immediate moratorium and a subsequent curtailment on interstate apportionments. It is our judgment that to require the continuation of the higher highway user taxes enacted in 1956 without highway construction being currently in progress would be indefensible. Therefore, it is essential that some bill dealing with this problem be approved to keep the Federal-aid highway program in operation; all other proposals dealing with highway financing failed to meet the approval of the committee.

It is acknowledged by the undersigned that title II of H.R. 8678 constitutes only a stopgap measure designed to meet the immediate financing problems created by the acceleration of the program last year. We stress the fact that in supporting this temporary solution, we are mindful of the need for an exhaustive study so that a long-range solution can be developed in 1961 following the receipt by the Congress of the report of the Bureau of Public Roads on "Highway User Cost Allocation."

We are unwilling to support deficit financing of the highway program. The majority-approved proposal avoids deficit financing in the period between the present and the time when Congress will next have opportunity to act.

We dislike the need for adding the additional 1-cent-per-gallon motor fuels tax on our highway users but we have concluded it is necessary if our highway program is to be conducted on a pay-as-you-go basis. It is pointed out that the present legislation imposes this tax for a period of 22 months to give the Congress time for its forthcoming study in 1961. This temporary augmented financing will permit the avoidance of stop-and-go highway construction which would add substantially more to the already increased cost of the program.

In approving this legislation, it is our understanding that the Committee on Ways and Means and the Committee on Public Works will maintain surveillance through subcommittees over all aspects of this Federal-aid highway program. It is our expectation that this continuing review will be productive of legislative recommendations leading to improved administration of the program and more efficient highway development. For example, it is our view that the 90-10 Federal-State ratio with respect to the Interstate System should be carefully studied with a view to developing a formula providing for a smaller share of Federal participation. It is our conclusion that such a change in existing law would provide a greater incentive for more careful and economical State administration.¹

We are convinced that the American people want and need a more adequate highway system and are willing to pay for it. We are determined to make every effort from the standpoint of Federal participation in such a program to assure that we achieve maximum highway mileage at minimum highway cost.

An adequate highway system will provide improved recreational opportunity for our citizens, encourage economic growth, and contribute to our national security. It is to the furtherance of these objectives that H.R. 8678 is directed, and we support this legislative proposal as the best possible solution under present circumstances.

NOAH M. MASON.
HOWARD H. BAKER.
THOMAS B. CURTIS.
VICTOR A. KNOX.
JAMES B. UTT.
JACKSON E. BETTS.

G. SEPARATE VIEWS OF HON. RICHARD M. SIMPSON AND HON.
ALBERT H. BOSCH

The concern of the undersigned members of the Committee on Ways and Means with title II of the bill, H.R. 8678, can be summarized as follows: (1) it fails to maintain pay-as-you-go highway financing; (2) it diverts general fund revenues to the highway trust fund; and (3) it constitutes a prejudgment of future fiscal policy that is inimical to debt retirement and is conducive to deficit financing in fiscal years 1960 through 1964.

The highway financing proposal approved by a majority of the Committee on Ways and Means would increase by 1 cent the Federal motor fuel taxes beginning September 1, 1959, through June 30, 1961; in addition, the proposal would take from the Treasury general fund for the highway trust fund the tax receipts from 5 percentage points of the Federal excise taxes on passenger cars and automotive parts and accessories beginning July 1, 1961, through June 30, 1964.

This combination tax and earmarking proposal would augment the highway trust fund by \$3.447 billion. The additional motor fuel tax would raise 28 percent (\$960 million) of the total in fiscal years 1960 through 1961 and the diversion of the automotive excises would raise 72 percent (\$2.487 billion) of the total by depleting the Treasury general fund by that amount during fiscal years 1962 through 1964. Thus, with respect to the additional funds that the proposal would

¹ Hon. Howard H. Baker dissents from the proposal to reduce the 90-10 ratio.

make available, it can be said that the proposal is 72 percent deferred payment and only 28 percent pay-as-you-go.

The minority members of the Committee on Ways and Means have made conscientious effort to find a responsible solution to the problem of highway financing. The existing short-term financing difficulties present in the highway trust fund can be attributed to the speedup in the highway construction that Congress voted last year. With respect to the present sitting membership of the Committee on Ways and Means, the Republican members cast only 24 percent of the votes cast by committee members in the House in favor of the speedup last year. When it came time to finance the cost of that speedup this year, despite the fact that the Republican membership comprises only 40 percent of the total committee membership, the Republican members cast 61 percent of the total affirmative votes for proposals providing a solution to the highway financing problem.

The President has properly stated that the failure to finance the highway program on a pay-as-you-go basis leaves as the only alternative the prospect that succeeding generations will have to pay our bills. Table 1 accompanying these individual views clearly demonstrates that the majority approved proposal fails to comply with the pay-as-you-go principle. It is to be noted from table 1 that under the majority proposal a balance in the trust fund is achieved in the last 3 fiscal years only at the expense of the Treasury general fund. We submit that this is not pay-as-you-go financing; the earmarking proposal seeks to satisfy fiscal respectability by resort to fiscal subterfuge.

TABLE 1.—*Highway trust fund interstate apportionments, expenditures, and trust fund balances with 1-cent motor fuel tax increase, Sept. 1, 1959, to July 1, 1961, and diversion 5-percent tax on passenger cars and 5-percent tax on parts and accessories, July 1, 1961, to July 1, 1964*

[In millions]

Fiscal year	Inter-state apportionments	Revenues for Interstate System				Inter-state expenditures	Trust fund balance	
		Existing law	1-cent increase (22 months)	Diversion (1961-64)	Total		Jan. 1	June 30
Balance.....								+\$523
1960.....	\$2,500	\$1,012	\$383		\$1,395	\$2,025	-\$309	-107
1961.....	1,800	1,285	577		1,862	1,755	-372	0
1962.....	2,000	1,383		\$802	2,185	2,000	-176	+260
1963.....		1,421		831	2,252	2,000	+42	+512
1964.....		1,456		854	2,310	2,200	+193	+622

On May 13, 1959, the President sent to the Congress a message concerning administration legislative recommendations that had first been made to the Congress in January of this year and on which Congress was delaying affirmative action. One of these recommendations pertained to the financing of the Federal-aid highway program. In regard to the need for legislative action on this subject the President said the following in his May 13 message:

To keep the highway trust fund on a pay-as-you-go basis and to maintain the planned construction schedule, I recom-

mend a temporary increase of 1½ cents a gallon in the Federal tax on motor fuels, effective July 1 of this year.

The recent suggestion that receipts from the manufacturers' excise tax on automobiles be earmarked for the trust fund is an unsatisfactory alternative. The transfer of those receipts, running about a billion dollars a year, from the general fund to the highway trust fund would mean only that the problem would then be to raise new taxes to replenish the loss to the general fund.

An even more unsatisfactory alternative, proposed by some, would be legislation to waive the pay-as-you-go requirement. This would only be a refusal to face reality—one that the Congress would be hard put to explain. Less than 3 years ago, as a matter of legislative policy, the Congress declared in the Highway Revenue Act of 1956 that if it ever appears that the trust fund's total receipts will be less than its total expenditures "the Congress shall enact legislation in order to bring about a balance of total receipts and total expenditures."

The President expressed opposition to the abandonment of the pay-as-you-go principle and to the diversion of general fund revenues for highway purposes. This majority approved proposal is contrary to both of these criteria for sound financing outlined by the President.

Table 2 of these individual views sets forth the data pertaining to highway interstate apportionments, receipts, and expenditures under the administration proposal (assuming a 1½-cent increase in motor fuel tax effective September 1, 1959, to July 1, 1964).

TABLE 2.—Highway trust fund interstate apportionments, expenditures and trust fund balances with 1½-cent motor fuel tax increase, Sept. 1, 1959, to July 1, 1964

[In millions]

Fiscal year	Inter-state apportionments	Revenues for Interstate System			Inter-state expenditures	Trust fund balance	
		Existing law	1½-cent increase	Total		Jan. 1	June 30
Balance.....							\$523
1960.....	\$2, 500	\$1, 012	\$574	\$1, 586	\$2, 025	—\$230	+84
1961.....	2, 500	1, 285	866	2, 151	2, 100	—250	+135
1962.....	2, 200	1, 383	899	2, 282	2, 200	—194	+217
1963.....	2, 200	1, 421	920	2, 341	2, 400	—211	+158
1964.....	2, 200	1, 456	945	2, 401	2, 300	—178	+259

The Secretary of the Treasury said with respect to highway financing, that the Treasury does not favor deficit financing, transfers out of the general fund, nor special bond financing. The Secretary characterized those alternatives as risks and stressed the importance to this country of living within our means.

The attitude of the signers of these separate views in regard to the financing proposal contained in title II of H.R. 8678 can be stated by repeating from the supplemental views that were directed to the financing aspects of the Highway Revenue Act of 1956, which was the basic legislation establishing the present program. In those supple-

mental views "serious concern" was stated over the adequacy of the financing program as follows:

First, * * * all of the present tire and tube taxes and 37½ percent of the present manufacturers' excise taxes on trucks and buses will be diverted from the general revenue to the highway fund after July 1, 1957. These taxes together amount to about \$5 billion over the remaining fiscal years of the highway trust fund ending in 1972. The diversion of these taxes, which have always been regarded as ordinary excise taxes available for general purposes, will require new taxes of an equivalent amount to make up the deficiency in the general fund—or will prevent general tax relief of this same amount. The decision to divert these taxes may be perfectly appropriate so long as these implications of the action are accepted. However, it must also be recognized that, in so doing, there is a departure from the pay-as-we-build theory of raising new money to pay for the new expenditures required by the highway program.

The supplemental views went on to say:

The interim deficits will have to be made good from the general fund, and this will mean one of three things in the years in which they occur: (a) they will unbalance the total Federal budget; (b) they will require additional general taxes to make good the deficiencies in the general fund; or (c) they will prevent needed tax reductions if there would otherwise be a surplus in the general fund. We believe that all of these alternatives are undesirable and that the program should be put on a real pay-as-we-build basis.

Nothing has happened since the statement of those supplemental views to change the validity of the arguments they presented against earmarking and in favor of pay-as-you-go financing. Indeed, subsequent events have made them of even greater force and even more persuasive.

Some of the proponents of the majority approved plan contend that the proposal is only an interim solution to deal with the immediate trust fund deficit pending an overall look at the highway program following the receipt of the report on the "Highway User Cost Allocation Study" in calendar year 1961. It is the contention of those proponents that Congress can at that time alter the commitment to earmarking contained in this bill if the budgetary situation then existing so requires. We submit that by establishing the precedents of condoning trust fund deficits and of diverting general fund revenues we may be charting a course of fiscal expediency that may be difficult to overcome in 1961. There is no reason to believe that what we become committed to in the present legislation will be changed for a more responsible solution in future legislation.

There is little or no justification for the assumption implicit in the majority approved plan that the Treasury general fund will be able to forego the revenues that would be diverted to the highway trust fund in fiscal years 1962 through 1964. The proposal to earmark future general fund revenues will further complicate the already difficult task of debt management. While the revenue loss from the earmarking could be offset by an equivalent reduction in budgetary

expenditures, the pressures are almost all in the opposite direction. Built-in expenditure increases to carry out commitments already made and pressures for expansion in these and other programs threaten to push expenditures in future years billions of dollars higher than they are today.

In a study of trends in public expenditures the Committee for Economic Development projects total Federal budgetary expenditures to a level of \$88 billion by 1964. While we do not share the view that Government spending must inevitably increase, we do point out the uncertainty of the majority conclusion that the demand for general fund revenues will be less in future years than it is today.

Highways are important, but there is no sound reason for giving them a prior claim on future general fund revenues in preference to defense, natural resources, medical research, or other activities of the Government. Rather, as far as possible, we should preserve the allocation of general fund revenues on the basis of the priorities determined at that time by the Congress for all Government programs.

The course of fiscal responsibility today is to pay as we go and to avoid diverting future revenues from the general fund in the hope that today's problems will disappear in the future. Any camouflaged raid on the Treasury by diversion of general fund revenues in the future must inevitably be accompanied by lower spending, replacement by new taxes, or an increase in Treasury borrowing. At the time of the greatest prosperity in our history, it is difficult to believe that anyone would have the richest nation in the world resort to thinly disguised deficit financing as a means of paying for the highway program.

The signatories to these views submit that the Congress has a solemn responsibility to face the facts at all times in dealing with our Nation's fiscal problems; existing circumstances make such a course of action particularly urgent at this time.

It is the recommendation of the undersigned members of the Committee on Ways and Means that—

- (1) the Congress approve a highway construction program that the Congress is willing to finance on a pay-as-we-go basis;

- (2) the appropriate committees of Congress give careful study to the feasibility of reducing the Federal share of financing so as to provide a greater inducement to improved State administration of the highway programs in the respective States; and

- (3) the Committee on Ways and Means or a subcommittee thereof undertake a thorough examination of highway financing directed to an immediate restoration of principles of current financing on a basis that allocates tax burdens according to highway benefits and highway user costs.

By the adoption of this program our Nation can progress in the prompt development of an adequate highway system within the framework of sound fiscal policy and at minimum cost to our taxpayers.

RICHARD M. SIMPSON.
ALBERT H. BOSCH.

H. MINORITY VIEWS OF THE HONORABLE BRUCE ALGER

As a member of the Committee on Ways and Means I am opposed to title II (relating to the highway financing provisions) of H.R. 8678. My opposition is predicated on the conviction that under the present program we are taxing wantonly, building extravagantly, and defiling the principle of pay-as-you-go, and on the fact that the bill does nothing to correct these serious shortcomings.

Under the present augmented highway program we are spending for what we would like to have without ascertaining our ability to pay and without determining whether or not we are getting our money's worth in terms of highway mileage out of the current and future obligations we are assuming. It has been alleged that the current highway financing problem is a shortage of money. I submit that the answer is not that simple. The answer also involves a solution to soaring costs and to wasteful spending that threaten to assume "boondoggle" proportions. Compared with original estimates made only 3 years ago we now find that with the completion of the present program in 1972 we will have built substantially less highway mileage at substantially greater cost. This is cause for concern in view of the very considerable experience that exists on the Federal, State, and local levels in highway construction.

In the fiscal years 1960 through 1964 the financing proposal contained in H.R. 8678 would raise \$3.5 billion which would be derived to the extent of \$1 billion from a 1-cent increase in the tax on motor fuels for the period of September 1, 1959, to July 1, 1961, and to the extent of \$2½ billion by earmarking for the highway trust fund 5 percentage points of the Federal excise taxes on passenger cars and automobile parts for fiscal years 1962, 1963, and 1964.

In discussing highway financing it is necessary that we divide our considerations into a study of the short-run factors and a study of the long-run factors. The legislation, H.R. 8678, purports to deal only with the short-run factors.

The immediate short-run financing problem arises from the action of the Congress last year in accelerating the highway program. This action was originated by the professional political "recessionists" who launched an expanded highway program despite the warnings to the effect that—

It would destroy the pay-as-you-go policy for Federal highway aid established by the Highway Act of 1956, which set up the road trust fund to assure that special taxes on highway users would be used for highway construction.

The "recessionists" in sponsoring the speedup legislation of last year, ignored the need for financing; hence, the existence of the financing problems confronting us today. I opposed the speedup last year because of my concern over the solvency of the highway trust fund. That I was justified in my concern is evidenced by the financing dilemma that presently confronts us. The members of the majority party took credit for the highway construction speedup; they should also deal realistically with the obligation that has resulted to provide adequate financing for the program. I submit that the bill H.R. 8678 does not responsibly deal with the financing needs of our current highway program.

The longrun factors involved in highway financing are totally ignored in the bill H.R. 8678. It is urgent that these factors be dealt with immediately if we would avoid increasing revenue demands to build diminishing highway mileage.

I submit that in providing \$3.5 billion additional highway revenues, insufficient study has been given to the long-range factors that threaten to require substantially increased revenues in the future. I cite the following as examples of factors which should have been studied but which did not receive adequate consideration:

(1) The nationwide traffic forecasts for 1975 which were made subsequent to the 1956 act are 15 percent higher than previous forecasts, resulting in a need for more traffic lanes and other facilities. Construction required on the Interstate System by this additional traffic accounts for an estimated 5 percent increase in needed facilities.

(2) Section 116(b) of the 1956 Federal-aid Highway Act states that it is " * * * the intent that local needs, to the extent practicable, suitable and feasible, shall be given equal consideration with the needs of interstate commerce." To serve local needs as required by the above portion of the act will require an estimated 63 percent more highway grade separations, interchanges, other structures, and additional frontage roads than had been considered in determining the amounts authorized by the 1956 act. This accounts for an estimated 15 percent increase in total work to be done.

(3) In addition, miscellaneous items such as utility adjustments, lighting, signing, and other incidentals account for some increase, probably aggregating another 3 percent.

(4) Highway construction costs of the Interstate System type have risen 12 percent during the interval between mid-1954 and the last half of 1956 as reflected by the Bureau's price index for Federal-aid highway construction and this increase is applicable to all items. (See H. Doc. 300, 85th Cong., 2d sess.).

Because of factors such as those enumerated, as well as others, the Federal cost of the highway program has increased \$15 billion since the program was enacted in 1956 (from \$38.5 billion to \$53.8 billion, including \$12 billion in the interstate program alone). It is inconceivable that we should be called upon to provide additional revenues without determining the causes for the sharp increases in cost. We have absolutely no assurance that the \$15 billion increase over the past 3 years will not be more than matched in increased costs during the next 3 years or that we are not inviting progressively higher unwarranted costs. The American people are entitled to an accounting with respect to what has happened in the past so that they can be informed as to what is likely to occur in the future.

I am for economy in Government; my voting record supports that position. The same principles of frugality that must be observed in general Government matters must also be applied to the present highway program. Within the framework of fiscal responsibility we cannot do anything but pay-as-we-go in the development of an adequate highway system. To achieve the objective of maximizing highway

mileage while minimizing cost I propose that the Congress should immediately take the following steps:

(1) The Congress should make a careful analysis of all highway costs, particularly all cost increases. Why, for example, was there a 12-percent cost increase in interstate highways between 1954 and 1956?

(2) We should pay out of the Treasury whatever sum is necessary to make good all existing contracts. The Congress must cutback on less essential expenditures.

(3) If additional revenues are required, the appropriateness of greater utilization of existing highway-user taxes for highway purposes should be considered; this should be conditioned on a lower level of general Government expenditures. In essence taxing is the expedient way; achieving lower costs is the hard but proper way.

(4) The Nation's road needs should be revalued on a priority basis. For example: Only highways having a traffic count beyond 5,000 or 6,000 vehicles per day should have priority to become multilane (others can be postponed); in actual construction, the basic engineering and geometric design can be accomplished now with the frills added later.

(5) We should budget by a yardstick of the dollar amount rather than mileage.

(6) We should change the 90-10 Federal-State ratio to 75-25 or some other ratio providing greater State participation in the cost of highway development. This would improve administration and construction efficiency and would tend to reduce costs attributable to right-of-way acquisitions.

(7) Study should be given to the implications of repeal of the Davis-Bacon wage-setting provision which has resulted in an arbitrary increase of wages of 5 to 7 percent.

(8) Study should be made of the implications of leaving to State determination the assumption of costs of utility relocation.

(9) Study should be given to a possible stretchout of the program.

In summary, I believe that providing more money at this time to continue wastefulness and an unsound program is wrong. The time to investigate is precisely when mistakes and inadequacies are suspected. The terrific increase of cost in highway development suggests immediate study is necessary before more money is poured into the program. At best, the study I recommend is long overdue.

BRUCE ALGER.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 108(b) OF THE FEDERAL-AID HIGHWAY ACT OF 1956, AS AMENDED

SEC. 108. NATIONAL SYSTEM OF INTERSTATE AND DEFENSE HIGHWAYS.

* * * * *

(b) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of expediting the construction, reconstruction, or improvement, inclusive of necessary bridges and tunnels, of the Interstate System, including extensions thereof through urban areas, designated in accordance with the provisions of section 7 of the Federal-Aid Highway Act of 1944 (58 Stat. 838), there is hereby authorized to be appropriated the additional sum of \$1,000,000,000 for the fiscal year ending June 30, 1957, which sum shall be in addition to the authorization heretofore made for that year, the additional sum of \$1,700,000,000 for the fiscal year ending June 30, 1958, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1959, the additional sum of \$2,500,000,000 for the fiscal year ending June 30, 1960, the additional sum of **[\$2,500,000,000]** \$2,000,000,000 for the fiscal year ending June 30, 1961, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1962, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1963, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1964, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1965, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1966, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1967, the additional sum of \$1,500,000,000 for the fiscal year ending June 30, 1968, and the additional sum of \$1,025,000,000 for the fiscal year ending June 30, 1969.

SUBSECTIONS (c) AND (f) OF SECTION 209 OF THE HIGHWAY REVENUE ACT OF 1956

SEC. 209. HIGHWAY TRUST FUND.

* * * * *

(c) TRANSFER TO TRUST FUND OF AMOUNTS EQUIVALENT TO CERTAIN TAXES.—

(1) In GENERAL.—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to the following percentages of the taxes received in the Treasury before July 1, 1972, under the

following provisions of the Internal Revenue Code of 1954 (or under the corresponding provisions of prior revenue laws)—

(A) 100 percent of the taxes received after June 30, 1956, under sections 4041 (taxes on diesel fuel and special motor fuels), 4071(a)(4) (tax on tread rubber), and 4081 (tax on gasoline);

(B) 20 percent of the tax received after June 30, 1956, and before July 1, 1957, under section 4061(a)(1) (tax on trucks, buses, etc.);

(C) 50 percent of the tax received after June 30, 1957, under section 4061(a)(1) (tax on trucks, buses, etc.);

(D) 37½ percent of the tax received after June 30, 1956, and before July 1, 1957, under section 4071(a)(1) (tax on tires of the type used on highway vehicles);

(E) 100 percent of the taxes received after June 30, 1957, under section 4071(a) (1), (2), and (3) (taxes on tires of the type used on highway vehicles, other tires, and inner tubes);

(F) 100 percent of the tax received under section 4481 (tax on use of certain vehicles); and

(G) 100 percent of the floor stocks taxes imposed by section 4226(a).

In the case of any tax described in subparagraph (A), (B), or (D), amounts received during the fiscal year ending June 30, 1957, shall be taken into account only to the extent attributable to liability for tax incurred after June 30, 1956.

(2) *EXCISE TAX ON AUTOMOBILES, PARTS AND ACCESSORIES, ETC.*—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to that portion of the taxes received in the Treasury after June 30, 1961, and before July 1, 1964, under subsections (a)(2) (tax on passenger automobiles, etc.) and (b) (tax on parts and accessories) of section 4061 of the Internal Revenue Code of 1954 which is equal to the amount which would have been so received if the tax rate under each such subsection had been 5 percent in lieu of the applicable rate.

[(2)] (3) **LIABILITIES INCURRED BEFORE JULY 1, 1972, FOR NEW OR INCREASED TAXES.**—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to the following percentages of the taxes which are received in the Treasury after June 30, 1972, and before July 1, 1973, and which are attributable to liability for tax incurred before July 1, 1972, under the following provisions of the Internal Revenue Code of 1954—

(A) 100 percent of the taxes under sections 4041 (taxes on diesel fuel and special motor fuels), 4071(a)(4) (tax on tread rubber), and 4081 (tax on gasoline);

(B) 20 percent of the tax under section 4061(a)(1) (tax on trucks, buses, etc.);

(C) 37½ percent of the tax under section 4071(a)(1) (tax on tires of the type used on highway vehicles); and

(D) 100 percent of the tax under section 4481 (tax on use of certain vehicles).

[(3)] (4) **METHOD OF TRANSFER.**—The amounts appropriated by paragraphs [(1) and (2)] (1), (2), and (3) shall be transferred at least monthly from the general fund of the Treasury to the

Trust Fund on the basis of estimates by the Secretary of the Treasury of the amounts, referred to in paragraphs (1) and (2), received in the Treasury. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

* * * * *

(f) EXPENDITURES FROM TRUST FUND.—

(1) FEDERAL-AID HIGHWAY PROGRAM. Amounts in the Trust Fund shall be available, as provided by appropriations Acts, for making expenditures after June 30, 1956, and before July 1, 1972, to meet those obligations of the United States heretofore or hereafter incurred under the Federal-Aid Road Act approved July 11, 1916, as amended and supplemented, which are attributable to Federal-aid highways (including those portions of general administrative expenses of the Bureau of Public Roads payable from such appropriations).

(2) REPAYMENT OF ADVANCES FROM GENERAL FUND.—Advances made pursuant to subsection (d) shall be repaid, and interest on such advances shall be paid, to the general fund of the Treasury when the Secretary of the Treasury determines that moneys are available in the Trust Fund for such purposes. Such interest shall be at rates computed in the same manner as provided in subsection (e) (2) for special obligations and shall be compounded annually.

(3) TRANSFERS FROM TRUST FUND FOR GASOLINE USED ON FARMS AND FOR CERTAIN OTHER PURPOSES.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the amounts paid before July 1, 1973, under sections 6420 (relating to amounts paid in respect of gasoline used on farms) and 6421 (relating to amounts paid in respect of gasoline used for certain nonhighway purposes or by local transit systems) of the Internal Revenue Code of 1954 on the basis of claims filed for periods beginning after June 30, 1956, and ending before July 1, 1972.

(4) **[FLOOR]** 1972 FLOOR STOCKS REFUNDS.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the following percentages of the floor stocks refunds made before July 1, 1973, under section 6412(a)(2) of the Internal Revenue Code of 1954—

(A) 40 percent of the refunds in respect of articles subject to the tax imposed by section 4061(a)(1) of such Code (trucks, buses, etc.);

(B) 100 percent of the refunds in respect of articles subject to tax under section 4071(a)(1) or (4) of such Code (tires of the type used on highway vehicles and tread rubber); and

(C) 66½ percent of the refunds in respect of gasoline subject to tax under section 4081 of such Code.

(5) 1961 FLOOR STOCKS REFUNDS ON GASOLINE.—*The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the floor stocks refunds made before July 1, 1962, under section 6412(a)(3).*

SECTION 8 OF THE FEDERAL-AID HIGHWAY ACT OF 1958, AS AMENDED

SEC. 8. APPROVAL OF ESTIMATE OF COST OF COMPLETING THE INTERSTATE SYSTEM.

The estimate of cost of completing the Interstate System in each State, transmitted to the Congress on January 7, 1958, by the Secretary of Commerce pursuant to the provisions of section 108(d) of the Act approved June 29, 1956 (70 Stat. 374), and published as House Document Numbered 300, Eighty-fifth Congress, second session, is hereby approved as the basis for making the apportionment of the funds authorized for the Interstate System for the fiscal year ending [June 30, 1960, and June 30, 1961.] *June 30, 1960, 1961, and 1962.*

INTERNAL REVENUE CODE OF 1954

Subchapter E—Special Fuels

Sec. 4041. Imposition of tax.

Sec. 4042. Cross reference.

SEC. 4041. IMPOSITION OF TAX.

(a) **DIESEL FUEL.**—There is hereby imposed a tax of 3 cents a gallon upon any liquid (other than any product taxable under section 4081)—

(1) sold by any person to an owner, lessee, or other operator of a diesel-powered highway vehicle, for use as a fuel in such vehicle; or

(2) used by any person as a fuel in a diesel-powered highway vehicle unless there was a taxable sale of such liquid under paragraph (1).

In the case of a liquid taxable under this subsection sold for use or used as a fuel in a diesel-powered highway vehicle (A) which (at the time of such sale or use) is not registered, and is not required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a diesel-powered highway vehicle owned by the United States, is not used on the highway, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon [in lieu of 3 cents a gallon]. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel in a diesel-powered highway vehicle (A) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (b) which, in the case of a diesel-powered highway vehicle owned by the United States, is used on the highway, a tax of 1 cent a gallon shall be imposed under paragraph (2).

(b) **SPECIAL MOTOR FUELS.**—There is hereby imposed a tax of 3 cents a gallon upon benzol, benzene, naphtha, liquefied petroleum gas, or any other liquid (other than kerosene, gas, oil, or fuel oil, or any product taxable under section 4081 or subsection (a) of this section)—

(1) sold by any person to an owner, lessee, or other operator of a motor vehicle, motorboat, or airplane for use as a fuel for the propulsion of such motor vehicle, motorboat, or airplane, or

(2) used by any person as a fuel for the propulsion of a motor vehicle, motorboat, or airplane unless there was a taxable sale of such liquid under paragraph (1).

In the case of a liquid taxable under this subsection sold for use or used otherwise than as a fuel for the propulsion of a highway vehicle (A) which (at the time of such sale or use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a highway vehicle owned by the United States, is used on the highway, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon [in lieu of 3 cents a gallon]. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel for the propulsion of a highway vehicle (A) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a highway vehicle owned by the United States, is used on the highway, a tax of 1 cent a gallon shall be imposed under paragraph (2).

(c) RATE REDUCTION.—On and after July 1, 1972—

(1) the taxes imposed by this section shall be 1½ cents a gallon; and

(2) the second and third sentences of subsections (a) and (b) shall not apply.

(d) EXEMPTION FOR FARM USE.—

(1) EXEMPTION.—Under regulations prescribed by the Secretary or his delegate—

(A) no tax shall be imposed under subsection (a)(1) or (b)(1) on the sale of any liquid sold for use on a farm for farming purposes, and

(B) no tax shall be imposed under subsection (a)(2) or (b)(2) on the use of any liquid used on a farm for farming purposes.

(2) USE ON A FARM FOR FARMING PURPOSES.—For purposes of paragraph (1) of this subsection, use on a farm for farming purposes shall be determined in accordance with paragraphs (1), (2), and (3) of section 6420(c).

(e) EXEMPTION FOR USE AS SUPPLIES FOR VESSELS.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under subsection (b) in the case of any fuel sold for use or used as supplies for vessels or aircraft (within the meaning of section 4221(d)(3)).

(f) TEMPORARY INCREASES IN TAX.—On and after September 1, 1959, and before July 1, 1961—

(1) if (without regard to this subsection) the tax imposed by subsection (a) or (b) is 3 cents a gallon, the tax imposed by such subsection shall be 4 cents a gallon, and

(2) if (without regard to this subsection) the tax imposed under paragraph (2) of subsection (a) or (b) is 1 cent a gallon, the tax imposed under such paragraph shall be 2 cents a gallon.

* * * * *

PART III—PETROLEUM PRODUCTS

Subpart A. Gasoline.

Subpart B. Lubricating oil.

Subpart C. Special provisions applicable to petroleum products.

Subpart A—Gasoline

Sec. 4081. Imposition of tax.

Sec. 4082. Definitions.

Sec. 4083. Exemption of sales to producer.

Sec. 4084. Cross references.

SEC. 4081. IMPOSITION OF TAX.

(a) **IN GENERAL.**—There is hereby imposed on gasoline sold by the producer or importer thereof, or by any producer of gasoline, a tax of 3 cents a gallon.

(b) **RATE REDUCTION.**—On and after July 1, 1972, the tax imposed by this section shall be 1½ cents a gallon.

(c) **TEMPORARY INCREASE IN TAX.**—*On and after September 1, 1959, and before July 1, 1961, the tax imposed by this section shall be 4 cents a gallon.*

SEC. 4082. DEFINITIONS.

(a) **PRODUCER.**—As used in this subpart, the term “producer” includes a refiner, compounder, [or blender, and a dealer selling gasoline exclusively to producers of gasoline] *blender, or wholesaler distributor*, as well as a producer. Any person to whom gasoline is sold tax-free under this subpart shall be considered the producer of such gasoline. (Source: Sec. 3412(b), (c), 1939 Code, substantially unchanged.)

(b) **GASOLINE.**—As used in this subpart, the term “gasoline” means all products commonly or commercially known or sold as gasoline (including casinghead and natural gasoline).

(c) **CERTAIN USES DEFINED AS SALES.**—If a producer or importer uses (otherwise than in the production of gasoline or of special motor fuels referred to in section 4041 (b)) gasoline sold to him free of tax, or produced or imported by him, such use shall for the purposes of this chapter be considered a sale. (Source: Sec. 3412(b), 1939 Code, substantially unchanged.)

(d) **WHOLESALE DISTRIBUTOR.**—*As used in subsection (a), the term “wholesale distributor” includes any person who—*

(1) sells gasoline to producers, to retailers, or to users who purchase in bulk quantities for delivery into bulk storage tanks, and

(2) is registered and bonded with respect to the tax imposed by section 4081.

Such term does not include any person who (excluding the term “wholesale distributor” from subsection (a)) is a producer or importer.

* * * * *

SEC. 4226. FLOOR STOCKS TAXES.

(a) **IN GENERAL.**—

(1) **1956 TAX ON TRUCKS, TRUCK TRAILERS, BUSES, ETC.**—On any article subject to tax under section 4061(a)(1) (relating to tax on trucks, truck trailers, buses, etc.) which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 2 percent of the price for which the article was

purchased by such dealer. If the price for which the article was sold by the manufacturer, producer, or importer is established to the satisfaction of the Secretary or his delegate, then in lieu of the amount specified in the preceding sentence, the tax imposed by this paragraph shall be at the rate of 2 percent of the price for which the article was sold by the manufacturer, producer, or importer.

(2) 1956 TAX ON TIRES OF THE TYPE USED ON HIGHWAY VEHICLES.—On tires subject to tax under section 4071(a)(1) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, are held—

(A) by a dealer for sale,

(B) for sale on, or in connection with, other articles held by the manufacturer, producer, or importer of such other articles, or

(C) for use in the manufacture or production of other articles,

there is hereby imposed a floor stocks tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply to any tire which is held for sale by the manufacturer, producer, or importer of such tire or which will be subject under section 4218(a)(2) or 4219 to the manufacturers excise tax on tires.

(3) 1956 TAX ON TREAD RUBBER.—On tread rubber subject to tax under section 4071(a)(4) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, is held by a dealer, there is hereby imposed a floor stocks tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply in the case of any person if such person establishes, to the satisfaction of the Secretary or his delegate, that all tread rubber held by him on July 1, 1956, will be used otherwise than in the recapping or re-treading of tires of the type used on highway vehicles (as defined in section 4072(c)).

(4) 1956 TAX ON GASOLINE.—On gasoline subject to tax under section 4081 which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline.

(5) 1959 TAX ON GASOLINE.—*On gasoline subject to tax under section 4081 which, on September 1, 1959, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline.*

* * * * *

(c) MEANING OF TERMS.—For purposes of subsection (a), the terms “dealer” and “held by a dealer” have the meaning assigned to them by section 6412(a) **[(3)]** (4).

(d) DUE DATE OF TAXES.—The taxes imposed by subsection (a) shall be paid at such time after September 30, 1956, as may be prescribed by the Secretary or his delegate; *except that the tax imposed by*

paragraph (5) shall be paid at such time after November 30, 1959, as may be prescribed by the Secretary or his delegate.

* * * * *

SEC. 6412. FLOOR STOCKS REFUNDS.

(a) IN GENERAL.—

(1) **PASSENGER AUTOMOBILES, ETC.**—Where before July 1, 1960, any article subject to the tax imposed by section 4061(a)(2) has been sold by the manufacturer, producer, or importer and on such date is held by a dealer and has not been used and is intended for sale, there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article on and after July 1, 1960, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1960, based upon a request submitted to the manufacturer, producer or importer before October 1, 1960, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before November 10, 1960, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax reduction on such article or written consent has been obtained from such dealer to allowance of such credit or refund.

(2) **TRUCKS AND BUSES, TIRES, TREAD RUBBER, AND GASOLINE.**—Where before July 1, 1972, any article subject to the tax imposed by section 4061(a)(1), 4071(a)(1) or (4), or 4081 has been sold by the manufacturer, producer, or importer and on such date is held by a dealer and has not been used and is intended for sale (or, in the case of tread rubber, is intended for sale or is held for use), there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article on and after July 1, 1972, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1972, based upon a request submitted to the manufacturer, producer, or importer before October 1, 1972, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before November 10, 1972, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax reduction on such article or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline.

(3) **GASOLINE HELD ON JULY 1, 1961.**—Where before July 1, 1961, any gasoline subject to the tax imposed by section 4081 has been sold by the producer or importer and on such date is held by a dealer and is intended for sale, there shall be credited or refunded (without interest) to the producer or importer an amount equal to the difference between the tax paid by such producer or importer on his sale of the gasoline and the amount of tax made applicable to such gasoline on

and after July 1, 1961, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1961, based upon a request submitted to the producer or importer before October 1, 1961, by the dealer who held the gasoline in respect of which the credit or refund is claimed, and, on or before November 10, 1961, reimbursement has been made to such dealer by such producer or importer for the tax reduction on such gasoline or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline.

[(3)] (4) DEFINITIONS.—For purposes of this section—

(A) The term “dealer” includes a wholesaler, jobber, distributor, or retailer, or, in the case of tread rubber subject to tax under section 4071(a)(4), includes any person (other than the manufacturer, producer, or importer thereof) who holds such tread rubber for sale or use.

(B) An article shall be considered as “held by a dealer” if title thereto has passed to such dealer (whether or not delivery to him has been made), and if for purposes of consumption title to such article or possession thereof has not at any time been transferred to any person other than a dealer.

* * * * *

SEC. 6416. CERTAIN TAXES ON SALES AND SERVICES.

* * * * *

(b) **SPECIAL CASES IN WHICH TAX PAYMENTS CONSIDERED OVERPAYMENTS.**—Under regulations prescribed by the Secretary or his delegate, credit or refund (without interest) shall be allowed or made in respect of the overpayments determined under the following paragraphs:

* * * * *

(2) **SPECIFIED USES AND REALES.**—The tax paid under chapter 32 (or under section 4041(a)(1) or (b)(1)) in respect of any article shall be deemed to be an overpayment if such article was, by any person—

(A) exported (except in any case to which subsection (g) applies),

(B) used or sold for use as supplies for vessels or aircraft;

(C) sold to a State or local government for the exclusive use of a State or local government;

(D) sold to a nonprofit educational organization for its exclusive use;

(E) resold to a manufacturer or producer for use by him as provided in subparagraph (A) or (B) of paragraph (3);

(F) in the case of a tire, inner tube, or receiving set, resold for use as provided in subparagraph (C) or (D) of paragraph (3) and the other article referred to in such subparagraph is by any person exported or sold as provided in such subparagraph;

(G) in the case of a liquid taxable under section 4041, sold for use as fuel in a diesel-powered highway vehicle or as fuel

for the propulsion of a motor vehicle, motorboat, or airplane, if (i) the vendee used such liquid otherwise than as fuel in such a vehicle, motorboat, or airplane or resold such liquid, or (ii) such liquid was (within the meaning of paragraphs (1), (2), and (3) of section 6420(c)) used on a farm for farming purposes;

(H) in the case of a liquid in respect of which tax was paid under section 4041 at the rate of 3 cents *or 4 cents* a gallon, used during any calendar quarter in vehicles while engaged in furnishing scheduled common carrier public passenger land transportation service along regular routes; except that (i) this subparagraph shall apply only if the 60 percent passenger fare revenue test set forth in section 6421(b)(2) is met with respect to such quarter, and (ii) the amount of such overpayment for such quarter shall be an amount determined by multiplying 1 cent (*where tax was paid at the 3-cent rate*) *or 2 cents (where tax was paid at the 4-cent rate)* for each gallon of liquid so used by the percentage which such person's tax-exempt passenger fare revenue (as defined in section 6421(d)(2)) derived from such scheduled service during such quarter was of his total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived from such scheduled service during such quarter:

(1) in the case of a liquid in respect of which tax was paid under section 4041(a)(1) at the rate of 3 cents *or 4 cents* a gallon, used or resold for use as a fuel in a diesel-powered highway vehicle (i) which (at the time of such use or resale) is not registered, and is not required to be registered, for highway use under the laws of any State or foreign country, or (ii) which, in the case of a diesel-powered highway vehicle owned by the United States, is not used on the highway; except that the amount of any overpayment by reason of this subparagraph shall not exceed an amount computed at the rate of 1 cent a gallon *where tax was paid at the 3-cent rate or at the rate of 2 cents a gallon where tax was paid at the 4-cent rate*;

(J) in the case of a liquid in respect of which tax was paid under section 4041(b)(1) at the rate of 3 cents *or 4 cents* a gallon, used or resold for use otherwise than as a fuel for the propulsion of a highway vehicle (i) which (at the time of such use or resale) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (ii) which, in the case of a highway vehicle owned by the United States, is used on the highway; except that the amount of any overpayment by reason of this subparagraph shall not exceed an amount computed at the rate of 1 cent a gallon *where tax was paid at the 3-cent rate or at the rate of 2 cents a gallon where tax was paid at the 4-cent rate*;

(K) in the case of any article taxable under section 4061(b) (other than spark plugs and storage batteries), used or sold for use as repair or replacement parts or accessories, for farm equipment (other than equipment taxable under section 4061(a));

(L) in the case of tread rubber in respect of which tax was paid under section 4071(a)(4), used or sold for use otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c)), unless credit or refund of such tax is allowable under subsection (b)(3);

(M) in the case of gasoline, used or sold for use in production of special motor fuels referred to in section 4041(b);

(N) in the case of lubricating oil, used or sold for non-lubricating purposes;

(O) in the case of lubricating oil in respect of which tax was paid at the rate of 6 cents a gallon, used or sold for use as cutting oils (within the meaning of section 4092(b)); except that the amount of such overpayment shall not exceed an amount computed at the rate of 3 cents a gallon;

(P) in the case of any musical instrument taxable under section 4151, sold to a religious institution for exclusively religious purposes;

(Q) in the case of unexposed motion picture film, used or sold for use in the making of newsreel motion picture film.

* * * * *

SEC. 6421. GASOLINE USED FOR CERTAIN NONHIGHWAY PURPOSES OR BY LOCAL TRANSIT SYSTEMS.

(a) **NONHIGHWAY USES.**—If gasoline is used otherwise than as a fuel in a highway vehicle (1) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (2) which, in the case of a highway vehicle owned by the United States, is used on the highway, the Secretary or his delegate shall pay (without interest) to the ultimate purchaser of such gasoline an amount equal to 1 cent for each gallon of gasoline so used *on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon.*

(b) **LOCAL TRANSIT SYSTEMS.**—

(1) **ALLOWANCE.**—If gasoline is used during any calendar quarter in vehicles while engaged in furnishing scheduled common carrier public passenger land transportation service along regular routes, the Secretary or his delegate shall, subject to the provisions of paragraph (2), pay (without interest) to the ultimate purchaser of such gasoline the amount determined by multiplying—

(A) 1 cent for each gallon of gasoline so used *on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon,* by

(B) the percentage which the ultimate purchaser's tax-exempt passenger fare revenue derived from such scheduled service during such quarter was of his total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived from such scheduled service during such quarter.

(2) LIMITATION.—Paragraph (1) shall apply in respect of gasoline used during any calendar quarter only if at least 60 percent of the total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived during such quarter from scheduled service described in paragraph (1) by the person filing the claim was attributable to tax-exempt passenger fare revenue derived during such quarter by such person from such scheduled service.



Union Calendar No. 482

86TH CONGRESS
1ST SESSION

H. R. 8678

[Report No. 1120]

IN THE HOUSE OF REPRESENTATIVES

AUGUST 14, 1959

Mr. FALLON introduced the following bill; which was referred to the Committee on Public Works

SEPTEMBER 1, 1959

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **TITLE I—FEDERAL-AID HIGHWAY**
4 **PROGRAM**

5 **SECTION 101. SHORT TITLE.**

6 This Act may be cited as the "Federal-Aid Highway
7 Act of 1959".

1 **SEC. 102. REVISION OF AUTHORIZATION OF APPROPRIA-**
2 **TIONS FOR INTERSTATE SYSTEM.**

3 Subsection (b) of section 108 of the Federal-Aid High-
4 way Act of 1956, *as amended*, is amended by striking out
5 “the additional sum of \$2,500,000,000 for the fiscal year
6 ending June 30, 1961,” and inserting in lieu thereof the
7 following: “the additional sum of \$2,000,000,000 for the
8 fiscal year ending June 30, 1961,”.

9 **SEC. 103. EXTENSION OF APPROVAL OF ESTIMATE OF**
10 **COST OF COMPLETING INTERSTATE SYTEM**
11 **SYSTEM.**

12 Section 8 of the Federal-Aid Highway Act of 1958, as
13 amended, is hereby further amended by striking out “the
14 fiscal years ending June 30, 1960, and June 30, 1961.”
15 and inserting in lieu thereof “the fiscal years ending June 30,
16 1960, 1961, and 1962.”

17 **SEC. 104. POLICY WITH RESPECT TO REIMBURSEMENT FOR**
18 **CERTAIN HIGHWAYS.**

19 Section 114 of the Federal-Aid Highway Act of 1956 is
20 *amended to read as follows:*

21 **“SEC. 114. POLICY OF CONGRESS TO REIMBURSE FOR CERTAIN**
22 **HIGHWAYS.**

23 *“It is hereby declared to be the intent and policy of the*
24 *Congress to equitably reimburse in money or in mileage each*
25 *State for every portion of a toll or free highway, bridge,*

1 *or tunnel within such State which is on the Interstate System,*
 2 *the construction of which has been completed subsequent to*
 3 *August 2, 1947, or which is either in actual use or under*
 4 *construction by contract, for completion, awarded not later*
 5 *than June 30, 1957.”*

6 **TITLE II—INTERNAL REVENUE** 7 **CODE AND HIGHWAY TRUST** 8 **FUND AMENDMENTS**

9 **SEC. 201. TEMPORARY INCREASE IN MOTOR FUEL TAXES;** 10 **ETC.**

11 (a) **GASOLINE.**—Section 4081 of the Internal Revenue
 12 Code of 1954 (relating to imposition of tax on gasoline)
 13 is amended by adding at the end thereof the following new
 14 subsection:

15 “(c) **TEMPORARY INCREASE IN TAX.**—On and after
 16 September 1, 1959, and before July 1, 1961, the tax im-
 17 posed by this section shall be 4 cents a gallon.”

18 (b) **DIESEL FUEL AND SPECIAL MOTOR FUELS.**—

19 (1) **IMPOSITION OF TAX.**—Section 4041 of such
 20 Code (relating to imposition of tax on diesel fuel and
 21 special motor fuels) is amended by adding at the end
 22 thereof the following new subsection:

23 “(f) **TEMPORARY INCREASES IN TAX.**—On and after
 24 September 1, 1959, and before July 1, 1961—

25 “(1) if (without regard to this subsection) the

1 tax imposed by subsection (a) or (b) is 3 cents a
 2 gallon, the tax imposed by such subsection shall be 4
 3 cents a gallon, and

4 “(2) if (without regard to this subsection) the tax
 5 imposed under paragraph (2) of subsection (a) or
 6 (b) is 1 cent a gallon, the tax imposed under such para-
 7 graph shall be 2 cents a gallon.”

8 (2) TECHNICAL AMENDMENTS.—The second sen-
 9 tences of subsections (a) and (b) of such section 4041
 10 are each amended by striking out “in lieu of 3 cents a
 11 gallon”.

12 (c) FLOOR STOCKS TAX AND REFUNDS ON GASO-
 13 LINE.—

14 (1) TAX.—Section 4226 (a) of such Code (relat-
 15 ing to floor stocks taxes) is amended by adding at the
 16 end thereof the following new paragraph:

17 “(5) 1959 TAX ON GASOLINE.—On gasoline sub-
 18 ject to tax under section 4081 which, on September 1,
 19 1959, is held by a dealer for sale, there is hereby im-
 20 posed a floor stocks tax at the rate of 1 cent a gallon.
 21 The tax imposed by this paragraph shall not apply to
 22 gasoline in retail stocks held at the place where intended
 23 to be sold at retail, nor to gasoline held for sale by a
 24 producer or importer of gasoline.”

25 (2) DATE FOR PAYMENT OF TAX.—Section 4226

(d) of such Code (relating to due date of taxes) is amended by inserting before the period at the end thereof the following: “; except that the tax imposed by paragraph (5) shall be paid at such time after November 30, 1959, as may be prescribed by the Secretary or his delegate”.

(3) TECHNICAL AMENDMENT.—Section 4226 (c) of such Code (relating to definition of dealer, etc.) is amended by striking out “section 6412 (a) (3)” and inserting in lieu thereof “section 6412 (a) (4)”.

(4) REFUNDS.—Section 6412 (a) of such Code (relating to floor stocks refunds) is amended by renumbering paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

“(3) GASOLINE HELD ON JULY 1, 1961.—Where before July 1, 1951, any gasoline subject to the tax imposed by section 4081 has been sold by the producer or importer and on such date is held by a dealer and is intended for sale, there shall be credited or refunded (without interest) to the producer or importer an amount equal to the difference between the tax paid by such producer or importer on his sale of the gasoline and the amount of tax made applicable to

1 such gasoline on and after July 1, 1961, if claim
2 for such credit or refund is filed with the Secretary or his
3 delegate on or before November 10, 1961, based upon a
4 request submitted to the producer or importer before
5 October 1, 1961, by the dealer who held the gasoline
6 in respect of which the credit or refund is claimed, and,
7 on or before November 10, 1961, reimbursement has been
8 made to such dealer by such producer or importer for
9 the tax reduction on such gasoline or written consent has
10 been obtained from such dealer to allowance of such
11 credit or refund. No credit or refund shall be allowable
12 under this paragraph with respect to gasoline in retail
13 stocks held at the place where intended to be sold at
14 retail, nor with respect to gasoline held for sale by a
15 producer or importer of gasoline.”

16 (d) CREDITS AND REFUNDS.—

17 (1) TAX PAYMENTS CONSIDERED OVERPAY-
18 MENTS.—Section 6416 (b) (2) of such Code (relating
19 to special cases in which tax payments are considered
20 overpayments) is amended—

21 (A) by striking out “at the rate of 3 cents a
22 gallon” each place it appears in subparagraphs
23 (H), (I), and (J) and inserting in lieu thereof “at
24 the rate of 3 cents or 4 cents a gallon”;

25 (B) by striking out “1 cent for each gallon”

in subparagraph (H) and inserting in lieu thereof
 “1 cent (where tax was paid at the 3-cent rate)
 or 2 cents (where tax was paid at the 4-cent
 rate) for each gallon”; and

(C) by striking out “at the rate of 1 cent a
 gallon;” at the end of subparagraphs (I) and (J)
 and inserting in lieu thereof the following: “at the
 rate of 1 cent a gallon where tax was paid at the 3-
 cent rate or at the rate of 2 cents a gallon where
 tax was paid at the 4-cent rate;”.

(2) GASOLINE USED FOR CERTAIN NONHIGHWAY
 PURPOSES OR BY LOCAL TRANSIT SYSTEMS.—Subsec-
 tions (a) and (b) (1) (A) of section 6421 of such
 Code (relating to gasoline used for certain nonhighway
 purposes or by local transit systems) are each amended
 by striking out “1 cent for each gallon of gasoline so
 used” and inserting in lieu thereof “1 cent for each
 gallon of gasoline so used on which tax was paid at the
 rate of 3 cents a gallon and 2 cents for each gallon of
 gasoline so used on which tax was paid at the rate of 4
 cents a gallon”.

(e) COLLECTION OF GASOLINE TAX AT WHOLESALE
 DISTRIBUTOR LEVEL.—

(1) TREATMENT OF WHOLESALE DISTRIBUTOR AS
 PRODUCER.—The first sentence of section 4082 (a) of

1 the Internal Revenue Code of 1954 (relating to defi-
 2 nition of “producer” for purposes of tax on gasoline)
 3 is amended to read as follows: “As used in this subpart,
 4 the term ‘producer’ includes a refiner, compounder,
 5 blender, or wholesale distributor, as well as a producer.”

6 (2) WHOLESALE DISTRIBUTOR DEFINED.—Section
 7 4082 of such Code is amended by adding at the end
 8 thereof the following new subsection:

9 “(d) WHOLESALE DISTRIBUTOR.—As used in subsec-
 10 tion (a), the term ‘wholesale distributor’ includes any
 11 person who—

12 “(1) sells gasoline to producers, to retailers, or
 13 to users who purchase in bulk quantities for delivery
 14 into bulk storage tanks, and

15 “(2) is registered and bonded with respect to the
 16 tax imposed by section 4081.

17 Such term does not include any person who (excluding the
 18 term ‘wholesale distributor’ from subsection (a)) is a pro-
 19 ducer or importer.”

20 (3) EFFECTIVE DATE.—The amendments made by
 21 paragraphs (1) and (2) shall take effect on January
 22 1, 1960.

23 **SEC. 202. TRANSFERS TO HIGHWAY TRUST FUND.**

24 (a) TRANSFER.—Section 209(c) of the Highway
 25 Revenue Act of 1956 (relating to transfer to Highway

1 Trust Fund of amounts equivalent to certain taxes) is
 2 amended by renumbering paragraphs (2) and (3) as
 3 paragraphs (3) and (4), respectively, and by inserting
 4 after paragraph (1) the following new paragraph:

5 “(2) EXCISE TAX ON AUTOMOBILES, PARTS
 6 AND ACCESSORIES, ETC.—There is hereby appropriated
 7 to the Trust Fund, out of money in the Treasury not
 8 otherwise appropriated, amounts equivalent to that
 9 portion of the taxes received in the Treasury after
 10 June 30, 1961, and before July 1, 1964, under sub-
 11 section (a) (2) (tax on passenger automobiles, etc.)
 12 and (b) (tax on parts and accessories) of section 4061
 13 of the Internal Revenue Code of 1954 which is equal
 14 to the amount which would have been so received if
 15 the tax rate under each such subsection had been 5
 16 percent in lieu of the applicable rate.”

17 (b) CONFORMING AMENDMENTS.—

18 (1) CLERICAL AMENDMENT.—Paragraph (4) (as
 19 renumbered by subsection (a)) of such section 209 (c)
 20 is amended by striking out “paragraphs (1) and (2)”
 21 each place it appears and inserting in lieu thereof
 22 “paragraphs (1), (2), and (3)”.

23 (2) FLOOR STOCKS REFUNDS.—Section 209 (f) of
 24 the Highway Revenue Act of 1956 (relating to expend-
 25 itures from Highway Trust Fund) is amended—

1 (A) by striking out the heading to paragraph
2 (4) and inserting in lieu thereof the following:

3 “(4) 1972 FLOOR STOCKS REFUNDS.—”; and

4 (B) by adding at the end thereof the following
5 new paragraph:

6 “(5) 1961 FLOOR STOCKS REFUNDS ON GASO-
7 LINE.—The Secretary of the Treasury shall pay from
8 time to time from the Trust Fund into the general fund
9 of the Treasury amounts equivalent to the floor stocks
10 refunds made before July 1, 1962, under section
11 6412 (a) (3).”

86TH CONGRESS
1ST SESSION

H. R. 8678

[Report No. 1120]

A BILL

To amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

By Mr. FALLON

AUGUST 14, 1959

Referred to the Committee on Public Works

SEPTEMBER 1, 1959

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

CONSIDERATION OF H.R. 8678

SEPTEMBER 2, 1959.—Referred to the House Calendar and ordered to be printed

Mr. THORNBERRY, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 372]

The Committee on Rules, having had under consideration House Resolution 372, report the same to the House with the recommendation that the resolution do pass.



House Calendar No. 164

86TH CONGRESS
1ST SESSION

H. RES. 372

[Report No. 1132]

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 2, 1959

Mr. THORNBERRY, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the
4 Union for the consideration of the bill (H.R. 8678) to
5 amend the Federal-Aid Highway Acts of 1956 and 1958
6 to make certain adjustments in the Federal-aid highway pro-
7 gram, and for other purposes. After general debate, which
8 shall be confined to the bill, and shall continue not to exceed
9 two hours, to be equally divided and controlled by the
10 chairman and ranking minority member of the Committee
11 on Public Works, the bill shall be considered as having been
12 read for amendment. No amendment shall be in order to said

1 bill except amendments offered by direction of the Committee
2 on Public Works. Amendments offered by direction of the
3 Committee on Public Works may be offered to any section
4 of the bill at the conclusion of the general debate, but said
5 amendments shall not be subject to amendment. At the
6 conclusion of such consideration, the Committee shall rise
7 and report the bill to the House, and the previous question
8 shall be considered as ordered on the bill to final passage
9 without intervening motion, except one motion to recommit.

86TH CONGRESS
1ST Session

H. RES. 372

[Report No. 1132]

RESOLUTION

Providing for the consideration of H.R. 8678,
a bill to amend the Federal-Aid Highway
Acts of 1956 and 1958 to make certain ad-
justments in the Federal-aid highway pro-
gram, and for other purposes.

By Mr. THORNBERRY

SEPTEMBER 2, 1959

Referred to the House Calendar and ordered to be
printed

should be memorialized on the anniversary day of their success.

I have been joined in this endeavor by the gentleman from Ohio [Mr. SCHENCK], who represents Dayton, where the Wright brothers lived, entered business together, developed their idea for a flying machine, and conducted their early experiments.

In making possible the expeditious consideration of this resolution, I wish to acknowledge the splendid cooperation of our beloved Speaker, the majority leader, my good friend Mr. McCORMACK; Chairman CELLER of the Judiciary Committee; Mr. McCULLOCH, the ranking minority member, and all the members of the Judiciary Committee which unanimously reported the resolution.

I believe the Nation will profit by its demonstration to the world that the country honors the enterprise and the genius of two American men whose faith in heavier-than-air flight changed the pattern of our lives.

Mr. SCHENCK. Mr. Speaker, I want to express my appreciation to the House and to my good friend, the gentleman from Massachusetts, for the action today in approving H.J. Res. 513. I joined with my distinguished colleague, the gentleman from Massachusetts [Mr. MARTIN], in introducing an identical resolution known as H.J. Res. 514.

The adoption of this resolution will be especially pleasing to all the folks of our Third Congressional District in the Great Miami Valley and in particular to the citizens of the city of Dayton. Dayton has become known and acclaimed all over the world as the birthplace and cradle of aviation. Some of the most outstanding and significant developments in the entire field of aviation have had their origin and development in Dayton since the Wright brothers built their first successful airplane there. This airplane, the first one ever to fly, was powered by a very small engine and it is now displayed with great honor in the Smithsonian Institution.

The Wright brothers operated a bicycle shop on West Third Street in Dayton and it was my privilege to know them personally. As a boy I took my bike to them for service and repair.

Dayton and our Miami Valley are proud of the great achievements of Orville and Wilbur Wright and have honored them on many occasions. The anniversary of powered flight is observed each year with a significant celebration on December 17. Noted figures in the aviation field have come to Dayton for this meeting and last year we were honored to have Mr. Elwood R. Quesada, Federal Aviation Administrator, as the principal speaker.

The people of Dayton and its civic bodies have recognized the achievements of the Wright brothers not only in gatherings such as this, but also in naming landmarks after the famous brothers. A monument to the memory of the Wright brothers overlooks Wright Field at the Wright-Patterson Air Force Base. Orville Wright School is located on Wright Avenue, and a high school is named for Wilbur Wright.

It is indeed fitting to give national recognition to the Wright brothers on the

anniversary of their first powered flight, and I hope that the whole Nation will celebrate the occasion as we do in Dayton.

FEDERAL-AID HIGHWAY ACT OF 1959

Mr. THORNBERRY. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 372 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 8678) to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes. After general debate, which shall be confined to the bill, and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Public Works, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Public Works. Amendments offered by direction of the Committee on Public Works may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of such consideration, the Committee shall rise and report the bill to the House, and the previous question shall be considered as ordered on the bill to final passage without intervening motion, except one motion to recommit.

Mr. THORNBERRY. Mr. Speaker, I yield 30 minutes to the gentleman from Illinois [Mr. ALLEN], pending which I yield myself such time as I may consume.

Mr. Speaker, House Resolution 372 provides for the consideration of H.R. 8678, which would amend the Federal-Aid Highway Acts of 1956 and 1958 and would make certain adjustments in the Federal-Aid highway program. The resolution provides for a closed rule that would permit amendments by the direction of the Committee on Public Works, and 2 hours of general debate.

H.R. 8678, which consists of two titles, is designed to provide a solution to some of the most pressing problems relating to our Federal highway program and to maintain this program on schedule for the next 2 years.

Title I of the bill amends the Federal-Aid Highway Act of 1956 by decreasing the authorization for fiscal year 1961 by \$500 million. It amends the Federal-Aid Highway Act of 1958 by giving approval to the estimate of cost of completing the Interstate System as the basis for making the apportionment to the States of the funds authorized for the Interstate System for fiscal year 1962.

The committee has a committee amendment which it will offer under the rule and which will be voted on separately declaring it to be the intent and policy of the Congress to reimburse equitably either in money or in mileage each State for every portion of a toll or free highway, bridge, or tunnel within that State which is on the Interstate System, the construction of which has

been completed subsequent to August 2, 1947, or which is either in actual use or under construction by contract, for completion, awarded not later than June 30, 1957.

Title II is designed primarily to provide additional revenue for the Federal-Aid highway program which is financed through the highway trust fund. Without legislation providing further funds for this program, it is estimated that there would be a deficit in the trust fund by the end of fiscal year 1960 of \$490 million, assuming provision is made for the payment of apportionment already made.

To meet this immediate problem, this title provides for—

First. The imposition of an additional 1 cent tax on gasoline, diesel fuel, and special motor fuels for the 22-month period beginning September 1, 1959, and ending June 30, 1961. For this period, this generally will raise gasoline and related fuel taxes to 4 cents a gallon.

Second. It also provides for the allocation to the highway trust fund of 5 percentage points of the manufacturers' excise tax on passenger cars, and so forth, and of 5 percentage points of the tax on auto parts and accessories. This allocation is to be made for the 3-year period beginning July 1, 1961, and ending June 30, 1964.

An adequate highway system is necessary to our national defense and the economic development of the Nation.

All of us will agree that we never like to impose taxes. We all look forward to the day when we can reduce taxes. We cannot, under the present fiscal condition of our Government, call upon the Federal Government to continue this program at its present level without providing further necessary revenue to finance it. We must have a sound fiscal program if we are to continue to meet the highway needs of this country and to be certain that we do not cripple the economy of our Nation by causing this great program to come to a complete halt.

I urge the adoption of the resolution so that the Members of the House may consider this important legislation.

Mr. ALLEN. Mr. Speaker, I yield to the gentleman from New York [Mr. RIEHLMAN] to extend his remarks.

(Mr. RIEHLMAN asked and was given permission to extend his remarks at this point.)

Mr. RIEHLMAN. Mr. Speaker, I will definitely vote against the proposed 1 cent per gallon increase in the Federal gasoline tax. I regret that the House Ways and Means Committee finally effected a complete reversal of its previous position and decided to recommend such an increase.

Were a tax increase the only alternative to complete collapse of the highway program, my position might well be different. If the only saving alternatives were either a tax increase or the abandonment of this program to the evils of deficit financing, I would most certainly support the former. But I am convinced that neither of these is the case. I made this known to the committee and I re-emphasize my belief that there are fiscally sound solutions available without

placing the burden of another tax increase on the people of this country.

The solution I would like to see, and I have introduced legislation to this effect, is a cutting back of the annual appropriation for the program and an extension of the completion date. Such a program would not hamper the ultimate goals of the highway program and would neither have required an increase in taxes nor would it have necessitated dipping into the general fund of the Treasury. Nor would it penalize the taxpayer for the shortsightedness of Congress in accelerating the highway program while disregarding the solvency of the trust fund. On July 29 the Ways and Means Committee announced that it had agreed to a substantially similar program. But, on August 13 the committee did an about-face and recommended the program that was adopted Tuesday by the Public Works Committee and is being considered here today. The Ways and Means Committee has in fact reversed its position on several occasions, lending further credence to my contention that there are several sound solutions.

I have other reservations concerning this so-called temporary increase in the gasoline tax. I am afraid this will be similar to the temporary taxes levied during the Korean war which we still pay today. I fear we will be treated in 1961 to a reenactment of that familiar scene in which we hear the plea that the temporary tax must be continued if we are to save the highway program. The fear that we will have gained another 10- to 15-year temporary tax is made greater as I read the second portion of this recommended program.

In the first place, we are attempting to establish a transfer of excise taxes that will not take effect until another Congress sits in 1961. In the second place, if that Congress chose to follow our direction, we would be taking an estimated \$2.5 billion out of the Treasury over a 3-year period. The statement, "we will transfer excise taxes" sounds very nice and proper, but it is just another way of saying "we are going to dip \$2.5 billion out of the general revenues." How will this \$2.5 billion be made up? I doubt that other less essential expenditures will be cut back. Congress, in its characteristic search for the path of least resistance, will end up borrowing that \$2.5 billion and adding it to the national debt. Should it not choose to enter into this dangerous game of transferring excise taxes, then it is certain to extend this temporary tax.

I do not believe that completion of the highway construction program by the arbitrarily set date of 1972 is of such overwhelming importance to the Nation. My position is based on the belief that the American people would prefer spreading out the highway program over a few additional years to an increase of 33½ percent in the Federal tax on gasoline and the expenditure from general revenues of \$2.5 billion that was never intended to be spent when this program was established.

I am happy to see included in the highway bill a section declaring it to be the intent and policy of Congress to reimburse each State for highways, bridges, and tunnels included in the

interstate system. I have long advocated such reimbursement and have sponsored legislation to that effect. But, I feel this intent could very well be expressed in separate legislation. The fact that it has been tacked onto this financing bill does not change my position on either the gas tax increase or the transfer of excise taxes. The bill in its entirety is still unacceptable.

We are faced with a very real and perplexing problem. The continuation of the highway program is a matter of great significance for Syracuse, for Onondaga County, and for the entire country. It is my firm conviction that there are sound solutions available that would permit this continuation. I have no doubt that the House today will adopt the bill before it, but I have no desire to be a party to that action. As long as other fiscally responsible solutions are available, I refuse to vote for higher taxes.

Mr. ALLEN. Mr. Speaker, I yield to the gentleman from Washington [Mr. PELLY] for an extension of his remarks.

(Mr. PELLY asked and was given permission to extend his remarks at this point in the RECORD.)

A TRIBUTE TO POLITICAL FORTITUDE AND MR. HALLECK

Mr. PELLY. Mr. Speaker, yesterday the House by a 1 vote margin sustained the veto of the President of the United States on the Public Works Appropriations bill. That vote and the taking of the yeas and nays was described immediately afterwards by one of the news wire services as a stunning defeat for the Democrats. As a Republican, I probably found this political contest more exciting and worthy of comment than those on the losing side of the battle.

But, Mr. Speaker, to me the credit for this victory should not be partisan; it belongs to certain members of both parties, and here I refer to those courageous Members who stood firm for overall economy and their convictions, and to the national interest, in spite of party pressure.

In following the dictates of conscience those individuals incurred the strong displeasure of their party leaders. Great honor is due to a certain small group of Democrats, and my admiration goes also to the Republicans who put principles over personal advantage. Here I refer to those who voted to sustain the President's veto, even though one or more of the unbudgeted projects objected to by the President was in their district and would be eliminated.

So, Mr. Speaker, I raise my voice in a sincere tribute to those of our colleagues on both sides of the aisle who displayed such political fortitude yesterday. Some say in Congress, to get along a Member should go along—meaning go along with one's party and leaders. But to me, going along with a Member's convictions and conscience is what constitutes success, and the profiles of courage that stood out yesterday were certainly gratifying.

I have one other comment, Mr. Speaker, arising from the Republican victory yesterday. The Washington Post this morning described the way our minority leader marshaled his forces and how

every time the Democratic leadership persuaded one of its members to switch his vote the minority leader would send one of his members to offset it.

Again, the gentleman from Indiana [Mr. HALLECK], demonstrated his talent for winning floor fights and legislative battles.

The record of this session in the House in my opinion will go down in history as a tribute to his leadership.

In their wisdom the American people in 1958 saw fit to put a Republican in the White House and a large Democratic majority in control of Congress. Had not the minority in the House had such an able leader the result could have been tragic, it seems to me, in many ways. However, the President and the people of this country are fortunate. Under our system we need skillful political figures and as such it is not only the members of his party who remain indebted to the gentleman from Indiana [Mr. HALLECK], but all Americans can be thankful for the fact that to a large degree the program of the President has been enacted and administration policies sustained.

Mr. ALLEN. Mr. Speaker, I yield 9 minutes to the gentleman from Michigan [Mr. BROOMFIELD].

(Mr. BROOMFIELD asked and was given permission to revise and extend his remarks.)

Mr. BROOMFIELD. Mr. Speaker, in the final analysis, the primary consideration of this Congress in the matter of new roads is to see to it that as many miles of new highways are constructed in the right places as rapidly as possible with the funds made available.

Any other consideration is secondary at this time when we are losing 36,000 American lives a year to traffic accidents.

This tragic total is expected to rise steadily in the years ahead unless our interstate highway construction program continues at its scheduled rate as a minimum.

Traffic accidents cost us \$6.5 billion last year, or 12.5 cents for every gallon of gasoline consumed on our highways. completion of the Interstate System will save, at a minimum, 7,400 lives a year and will reduce property damage by some \$1.3 billion.

In other words, investment in the Interstate System is going to save us \$1.3 billion a year plus saving 7,400 lives. This is certainly the most profitable, the most worthy investment which our Federal Government can make on behalf of all the people of the United States. This is the most essential of all our domestic public works projects.

But in our consideration today of H.R. 8678 to amend the Federal Aid Highway Acts of 1956 and 1958, we are faced with consideration of an amendment which I feel will provide thousands of our citizens with a detour to oblivion.

This amendment of section 104 of the proposed highway bill would change section 114 of the Highway Act so that a policy of reimbursement to toll road States would be established.

On that point, I just hope the Members of the House when they vote on this particular bill this year will keep in mind the remarks I am making today, that the proponents of the reimbursement

program will put on their push next year, and see if I am not right.

This reimbursement program could cost us \$4.2 billion. This amount would be almost equal to 2 full years of appropriations to continue construction of our Interstate Highway System.

This would mean that 14,800 lives would be lost needlessly. This would mean that \$3.2 billion in property damage would be done on our highways if our present rate of traffic accidents continues. However, all indications are that our traffic accident rate will rise—not decrease. That our traffic fatalities will go up, not down.

May I urge my colleagues to vote against this amendment. It will lead our drivers up a dead end street, a one-way trip to death.

Every cent we have available should go into new highway construction on our Interstate System. Not one cent should be diverted into State reimbursements for toll roads and other structures until such time as we have definite assurances that our Interstate Highway System will be completed as rapidly as possible.

That is the least we as Members of Congress can do for the American people. That is the least which we can do to combat the carnage and the deaths on our highways.

We should vote for the 1-cent increase in the gasoline tax. But we should reject the amendment to establish a policy for reimbursement to toll road States. There is plenty of time for us to talk about paying back those States which have toll roads as part of the Interstate System when the rest of this vital system is completed or until such time as we have assurances that enough funds are available in the Highway Trust Fund to accomplish both tasks.

Every mile of new expressways means fewer fatalities, fewer crippling injuries, fewer hospital bills and fewer hours lost at work.

Let us not divert highway funds up blind alleys. Let us build roads where they are needed as rapidly as possible.

Mr. Speaker, I am sure the American people do not want Congress to pass the emergency highway act to increase gasoline taxes with this reimbursement provision included. We know full well that in 1960 the proponents of this particular provision will push to reimburse about eight States to the extent of \$4.2 billion, with what I term pork barrel funds.

You are actually trading death for dollars. What you are actually doing is bailing out a lot of bondholders who have invested their money in these toll roads when frankly I believe our endeavors should be directed to building an Interstate Highway System and not making it a program for reimbursing already established toll roads.

I am not against reimbursement, for Michigan would get \$195 million, but I do not believe this is the time when we should burden our interstate highway program with this added expense—not at least until the program is completed.

At this point, I would like to commend the Committee on Ways and Means and the distinguished gentleman from Arkansas [Mr. MILLS], for the fine work they have done. I think it is a very difficult thing to work out a financing

program, and I think the Ways and Means Committee did a fine job, but I think the provision put in here by the Public Works Committee is very disturbing and I hope the Members will vote against it when it comes up.

Mr. FALLON. Mr. Speaker, will the gentleman yield?

Mr. BROOMFIELD. I yield.

Mr. FALLON. I would like to commend the gentleman on his fine statement. I do differ with him in regard to the intent or policy of reimbursement for toll roads. This is just a statement of policy. It will have to come back to the Congress when the time comes for apportionments to be made; it will have to be decided by Congress before any money can be spent for reimbursement to any particular State for these toll roads.

Mr. BROOMFIELD. I would like to say to the gentleman from Maryland that he is eminently correct. Let us take a look at the proposed declaration of policy which was proposed by the gentleman from Minnesota [Mr. BLAKNIK], and read the entire declaration to find out just exactly what the House Public Works Committee did. The last provision is the important one.

I agree with the gentleman from Maryland that legislation would have to be brought in to take care of reimbursement, but that will start next year. The section to which I referred reads as follows:

Congress further declares that after it receives the report of the study and investigation required under section 210 of the Highway Revenue Act of 1956, and the revised estimate of cost to be submitted within 10 days subsequent to January 2, 1961, under section 104(b)(5) of title 23 of the United States Code, as supplemented by section 2 of Public Law 85-899, it will take such action as may be necessary to carry out the policy established in subsection (a) of this section.

There is no doubt that they will be in here for reimbursement next year, and I think the American people should know full well that the start made next year will mean a final spending of an additional \$4,200 million.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. BROOMFIELD. I yield.

Mr. GROSS. I want to commend the gentleman for his statement in opposition to this amendment and what it will mean.

Mr. BROOMFIELD. It is a real political boondoggle; I will tell you that.

In my opinion, the proposed amendment to section 114 is completely unacceptable and has no place in this bill at this time. We should keep uppermost in our minds that every mile we add to our Interstate Highway System means lives saved in the future. That is our primary consideration, not that the Federal Government bail out bondholders who would stand to gain if this policy in section 114 should be carried out by Congress and become law.

In addition, we are faced with the prospect of an even greater Federal giveaway with no returns if this provision should become law. After the Federal Government reimburses these States for their toll roads, what would prevent these

same States from continuing to collect tolls? Not a thing. In other words, these States would collect money with both hands. They would charge drivers who use these roads for the privilege of driving on them. They also would charge the Federal Government a multi-billion price for the privilege of including these roads in the Interstate System.

A few States would be rolling in road money. The rest of the Nation would be suffering even more than it is now from inadequate roads, high fatality rates in traffic accidents, increased traffic congestion and the clogging of the main arteries of transportation for business and pleasure.

We should defeat this reimbursement amendment. We should build roads, not bank accounts for a select few States.

Mr. ALLEN. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. CHAMBERLAIN].

(Mr. CHAMBERLAIN asked and was given permission to revise and extend his remarks.)

Mr. CHAMBERLAIN. Mr. Speaker, I rise to voice my opposition to the financing features of the legislation now before us, which I regard as discriminatory in application to our citizens, depressive in terms of economic growth, and deceitful in that it purports to be based on sound fiscal policy. In so doing, however, I want to make it unmistakably clear that my opposition is not to the highway building program, as such, but rather to the financing plan which has been proposed. I favor a realistic program of expeditious highway development, with as little abatement as possible. I also favor financing that program on a fair and equitable pay-as-you-go basis.

There are three major benefits to be derived from an adequate national highway system.

First. Such a system would be conducive to achieving the optimum in national economic potential. Commerce, agriculture, labor, and industry will all contribute to a more productive America if geographical areas in our Nation are linked by a modern highway system.

Second. We will be promoting highway safety, thereby lessening highway accidents and highway casualties.

Third. An adequate system will make a major contribution to national security both with respect to military defense and civil defense.

It is in consideration of these factors that I am such a staunch advocate of highway development.

But, Mr. Speaker, as essential as these objectives may be, it is also essential that they be attained within the financial framework of fair and equitable taxation that does not thwart economic growth and that meets the criterion of fiscal responsibility. I respectfully submit, Mr. Speaker, that the bill before us does not meet the tests of fairness and equity, would thwart economic growth, and is fiscally irresponsible.

The legislation proposes a small, temporary reduction of the highway program. It also provides additional revenues for a temporary period by increasing the tax on gasoline by 1 cent a gallon. In addition, the legislation before us undertakes to pledge, on the expiration of the temporary increase in

the gasoline tax, one-half of the excise tax on automobiles and five-eighths of the excise tax on auto parts and accessories. To me, this is the most incongruous part of the whole proposal.

As Members of the Congress know, I have frequently expressed my opposition to the war-imposed excise taxes on the floor of the House. I still oppose them and I protest most vigorously this attempt to cement them into the law in such a way that they cannot be reduced or repealed.

It is my privilege to represent the Sixth Congressional District of Michigan which is the heart of the greatest automobile manufacturing area in the world. The industrial capacity and economic health of this area is essential not only as a matter of local concern but is also of concern in terms of national growth and national defense potential. Almost 1 million of our employed citizens work in automobile, automotive parts and automotive tire factories. An additional 9 million people derive their employment from other phases of highway transportation. In other words, the employment of approximately 1 out of every 7 is connected directly or indirectly with automotive transportation. Automotive factories are major consumers of steel, glass, textiles, rubber, and minerals. It is essential that our automotive industry prosper and grow if our domestic economy generally is to prosper and grow. By earmarking the automotive excises for the highway trust fund we are practically assuring the permanence of these taxes which were originally imposed to retard automobile production for war purposes.

Mr. Speaker, I respectfully submit that instead of making these taxes permanent we should be striving diligently for their earliest removal. The repeal of the automotive excise taxes would greatly stimulate automobile sales, automobile production, and automobile employment. This expansion in the automotive industry would likewise create an expansion in the basic supporting industries with a broadening of the income base, resulting in higher income tax yields. I sincerely believe that the legislation before us today will serve to thwart economic growth rather than to promote it.

I recognize that Congress is faced with a difficult and perplexing problem in its search for additional financing to maintain the Federal highway program near originally projected levels. Basically, we are confronted with a situation which was foreseeable at the time Congress waived the pay-as-you-go requirement in order to accelerate the program as an antirecession device. As far as I am concerned, there can be little question that the plight in which we find ourselves today is the direct result of what the Congress did then, for additional costs were imposed but no additional revenue was provided. As a result, we are presently faced with the specter of either providing additional financing or drastically reducing the program.

During the Korean conflict when additional moneys were needed, Congress decided to impose, for a temporary period, an additional 3 percent excise tax on

automobiles, and auto parts and accessories. While this was clearly meant to be a temporary tax, it has been extended in each succeeding year and surely our memories are not so vague that we cannot recall just 6 weeks ago we extended the tax until June 30, 1960. The principal justification for this action has been that as long as there was a deficit in the general fund of the Treasury, these taxes—however undesirable—could not be reduced. Consequently, these taxes literally owe their existence to deficit financing.

Contrast, if you will, the action now being proposed with the justification previously given for retention of these taxes. The major part of these excise taxes are, on July 1, 1961, to be taken from the general fund of the Treasury and applied to the needs of the highway trust fund, at least until 1964. For myself, I fail to see the logic of a plan which pledges, 2 years in advance, revenues which have heretofore been considered so essential to the economic well-being of America and to the delicate balance of the Federal budget.

Logic certainly does not support a conclusion that these revenues, heretofore sacrosanct and irremovable, are now expendable by transfer. Past experience does not suggest that we have irretrievably passed the era of unbalanced budgets; nor does present experience confirm it. Yet we are here asked to support the withdrawal of excise tax revenue from the general fund without knowledge of the demands which may be made upon that fund in the period June 30, 1961, to June 30, 1964. The proposed diversion of excise tax revenues after June 30, 1961, is nothing but fiscal legerdemain. Perhaps worse, it constitutes account juggling while blindfolded.

But this is not the only example of faulty logic in this plan. Members will recall that the Congress is scheduled to receive a recommendation from the executive branch in January 1961 with regard to additional financing of the needs of the Federal highway program. I think it is only reasonable to ask what considerations impel us, at this time, to schedule a transfer of automotive excise taxes to take effect but 6 months after the date we are to receive the recommendations of the Department of Commerce with respect to additional methods of financing the Federal highway program. Such a determination at this time by the Congress would most certainly result in a prejudgment which the executive branch would almost be obliged to include in its recommendations. As I have said, in my judgment, instead of pledging the majority of these excise tax revenues to the highway trust program, we should be reducing them.

The Ways and Means Committee has scheduled an exhaustive study of our income tax laws this fall and I have urged the chairman on several occasions to broaden the scope of this study to include consideration of the excise tax laws. If we are to have an overall revision of our tax policy, certainly a revision of our discriminatory, inequitable excises must be included. I submit that consideration should be given to a complete overhauling of the present

crazy quilt excise taxes and further suggest that careful study be given to the possible merits of a general manufacturers' excise tax which would produce revenue equivalent to present excise revenues.

I am told the legislation before us increases the revenues available to the highway trust fund by approximately \$3½ billion with \$2½ billion of that amount coming from the linkage of the automotive excises to the trust fund. This certainly does not meet the request of the President for a self-supporting pay-as-you-go method of financing. In his recent message to Congress, the President expressed opposition to proposals that would, in the absence of foreseeable budget surpluses, divert receipts from the general fund of the Treasury that are collective by various excises on automobiles. He said that the transfer of the automobile excise taxes to the highway trust fund would only shift the problem from the trust fund to the general fund which is already in precarious balance. It must, therefore, be concluded that this legislative proposal does not meet the test of fiscal responsibility as suggested by President Eisenhower.

Mr. Speaker, if it were possible to do so under the rules of the House, I would offer an amendment to strike section 202 of the pending bill in order to preclude the transfer of these excise taxes to the highway trust fund beginning July 1, 1961. Since under the House rules I cannot propose such an amendment, I have chosen the only method available to me by which I could protest this act. Perhaps in so doing, I can focus the attention of Members of the other body on this unreasonable and illogical proposal so that they can in turn eliminate or lessen this obvious inequity to the automotive consumers of this Nation.

Because this matter does come before us under a closed rule, I find that I have but 1 of 2 choices—to vote for or against the bill. I deeply regret the limitations of this choice and it is with great reluctance that I am forced to accept these financial features which I find so objectionable in order that the highway program, which I regard as so essential to our national economy, will not be seriously interrupted or impaired.

Mr. THORNBERRY. Mr. Speaker, I yield such time as he may desire to the gentleman from Virginia [Mr. ABBITT].

Mr. ABBITT. Mr. Speaker, I rise in opposition to this rule and to H.R. 8678 the bill to increase the gasoline and other taxes. I am unalterably opposed to any increase in the Federal tax on gasoline. I am in full agreement with an advocate the proposal that the highway program be handled on a reduced scale and extended over a longer period of time. The General Assembly of Virginia, recognizing the problems involved in this whole matter, adopted a resolution earlier this year, calling upon the Government to extend the program from the present 13 years to 20 years. It seems to me that this is the logical way to cope with the situation.

I recognize that the highway program was put at a considerable disadvantage by the so-called speedup program which

was directed last year as a means of combating the recession and for this reason, I did not feel it was a good idea at the time. The basic concept of the program enacted in 1956, as embodied in the Byrd pay-as-you-go amendment, was that the highway trust fund should take care of this—apart from the general fund and apart from the idea that taxes should be increased to take care of the deficits.

I opposed the enactment of the Federal Highway Act when it was before the Congress because I felt at the time, and still feel, that it ultimately would cost the American people far more than its supporters led us to believe. It is my feeling that roadbuilding—like a lot of other things—can best be handled by the States. I am opposed to raising the Federal tax as provided in this bill.

I am convinced that the interstate highway program has been operated in a grossly negligent and inefficient manner. The funds have been dissipated, and I am not willing to add to the tax burden to pay for this kind of inefficiency—and thereby underwrite it. The Comptroller General has critically assessed the operation of the program and certainly he is in a position to know—since he is the principal auditor of the Government and an agent of the Congress. His report on this subject, released recently, called attention to the fact that the program has been hurt by “a lack of top professional leadership in financial management.” He said further that the program’s accounts have “numerous inaccuracies and deficiencies.”

He has listed case after case of mishandling of the application of funds for the States so that the whole business has been inefficient. In the case of Virginia, I am informed that the State was able to accept far less of the Federal money to which it was entitled because of a lack of matching funds. I am further informed that the same situation exists in other States and that a stretching out of the program is the approach we should take. Obviously, there are some areas where the opposite is true—where Federal funds are being used as fast as they are made available—but I do not believe that the people of the whole Nation should be forced to accept a gas tax increase to pay for it.

A good deal has been said and written about this matter but I am convinced that the vast majority of our people do not realize the magnitude of this gigantic undertaking. This is a 40,000-mile undertaking and in the beginning it was to take 13 years to complete and would require 16 years to finance. The Federal Government is paying 90 percent of the total cost estimated originally at \$25 billion. The States pay only 10 percent of the total. Already the program has been expanded beyond the original concept and there is no telling where it will go. As of now it is estimated that the Federal share will be at least \$36 billion.

Of course, the highway system is fine—and certainly no one would argue that the intent of the vast interstate system is good, but we must preserve fiscal

solvency and fiscal common sense. We need to know where we are going and act with caution along the way.

I hope the House votes down this measure. Then we can take care of the problem by revamping the program.

Mr. THORNBERRY. Mr. Speaker, I yield such time as he may desire to the gentleman from Massachusetts [Mr. MACDONALD].

Mr. MACDONALD. Mr. Speaker, there has been a growing concern in the Commonwealth of Massachusetts over the failure of the Congress to provide legislation to assure the continuance of the interstate highway program. As every Member of this body knows when Congress authorized the highway construction program in 1956, and authorized annual apportionments to carry it on until its conclusion, it was thought that sufficient funds would be provided by Congress to keep the program on schedule, as the act provided.

When the Federal interstate highway program was set up by Congress we set up a separate highway fund for it. The Congress raised various taxes on motorists and directed that this money go into the highway fund. Now they tell us that this special highway fund is running short of money and that the interstate highway program will have to be curtailed next year unless something is done. This all comes about because the Federal Government found gasoline taxes easy to impose and collect and consequently has been diverting the proceeds to nonhighway uses. This state of affairs imposes a terrific burden on our highway department in Massachusetts, on the construction industry, allied businesses, the overall State economy and on motorists. The Commonwealth of Massachusetts has acted in good faith in the spirit of the 1956 act. It has presented and has set in gear a progressive program to carry out the intent of Congress as confirmed in 1957–58. I feel that unless the Congress takes definite action to continue the Federal interstate highway program, it will retard the much needed expansion of highways and expressways in the New England States that are sorely needed for the ever increasing traffic within these States.

We also know that jobs and prosperity in the highway construction industry, as well as many other industries, is at stake in the solution of this problem. Perhaps more important from the point of view of the people involved is the contribution to traffic safety which continued highway construction will make.

It seems to me that Congress has a moral responsibility to continue the interstate highway program at a level consistent with its original declaration. In order to continue this needed highway program we are being asked today to increase the Federal tax on gasoline by 1 cent per gallon for a 22-month period. This legislation also proposed to take from the general fund for a 3-year period one-half of the 10-percent manufacturers’ excise tax on automobiles and five-eighths of the 8-percent excise tax on auto parts and accessories.

It might not be so bad to up the Federal gasoline tax for 1 year or so if we could feel certain that the extra penny would come off at that time. But we have seen too many taxes imposed for limited periods which never did come off. Congress just keeps extending them.

There are other ways to obtain the necessary money to finance our interstate highway program, without increasing taxes on a necessity like gasoline, which people in very modest circumstances must have these days to make a living. For example, it has been proposed that we return all the motor vehicle taxes to the special highway fund, then to balance the budget cut 1 percent from all Federal spending, except fixed charges, such as interest, veterans pensions, et cetera. This would be more than enough to fill the coffers of the highway fund and balance the budget.

While this proposal has merit I personally feel that if the Congress would reduce the 27½-percent oil depletion allowance for foreign oil imports, as I have urged many times, it would save the American taxpayers millions of dollars and thus provide the necessary \$2.4 billion to finance our interstate highways program.

To illustrate, a case in point of the abuses the foreign oil depletion allowance encourages is the fabulously wealthy Arabian-American Oil Co.—Aramco. Stock in Aramco is held jointly by four oil giants—the Standard Oil Co. of California, the Texas Co., the Standard Oil Co. of New Jersey, and Socony Mobil Oil Co.

In 1955 Aramco had total earnings of \$724 million. The income Aramco pretax and with \$260 million in costs and expenses deducted was \$464 million. Did the United States get 1 cent of this in tax return? No. A percentage depletion allowance of \$121,698,000 was granted. This still left the taxable income of Aramco at \$348,257,000. At the standard 52 percent corporate rate, this would have returned \$178,488,000 to the U.S. Treasury. However, due to the American tax laws that allow a 100 percent tax credit for taxes imposed by foreign governments on U.S. companies operating in their countries, the Saudi Arabian taxes amounting to \$192 million were charged against what was owed the U.S. Government. In the final tabulation the U.S. Government, in a sense, owed \$14 million to the company. At any rate, a tax deficit of \$14 million was shown by the company.

Again, the same thing happened in 1956. Here Aramco had total earnings at \$748 million. When costs of \$268 million were deducted it left an income—before taxes and depletion allowance—of \$480 million. The depletion allowance amounted to \$127 million. This left at the 52 percent corporate tax rate a taxable base of \$352 million. This would have resulted in a return to the Treasury of \$183 million. However, the Saudi Arabian taxes amounted to \$199 million, which left a tax deficit of \$16 million in the favor of the company.

Thus, on paper, over a 2-year period, the U.S. Government ended up owing Aramco \$30 million in tax credits.

Of far more vital importance, over this same 2-year period, the U.S. Treasury, due to the 27½-percent foreign oil depletion, lost a grand total of \$99,266,000 in revenue.

It is well to remember that Aramco is but one company operating in the foreign oilfield. Considering all the companies profiting from this tax loophole the gain in tax revenues for the U.S. Treasury would run into hundreds of millions of dollars yearly.

Mr. Speaker, for the above reasons I must oppose the rule because it does not give the Members of this House an opportunity to vote on an amendment reducing the oil depletion allowance.

Mr. THORNBERRY. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin [Mr. REUSS].

Mr. REUSS. Mr. Speaker, I rise to oppose the closed rule on H.R. 8678, and to urge that the resolution be voted down so that the Members may vote to improve H.R. 8678, the highway bill.

Part of the money to pay for the Interstate Highway System set up by H.R. 8678 is to be raised by a 1-cent increase in the Federal gasoline tax. While this may pile the costs on the business and pleasure drivers on our highways somewhat heavily, at least it is fiscally responsible, in that it does not raid the general Treasury revenues.

But the method used to raise the additional \$2.4 billion needed for the highway fund over the amounts raised by the 1-cent gasoline tax increase is not fiscally responsible. It diverts money from general Treasury revenues to the highway fund, counter to the self-financing philosophy of the highway fund. If we pass this provision, we are voting for unbalanced budgets and deficits in the years ahead, when what we need are balanced budgets and surpluses.

If the closed rule is voted down, I intend to offer an amendment, set forth in yesterday's CONGRESSIONAL RECORD at pages 16328-16329, which would raise the required \$2.4 billion in a fiscally responsible manner, without raiding general Treasury revenues. It would do so by reducing the oil depletion allowance from 27½ percent to 15 percent for those whose income from oil and gas properties exceeds \$5 million a year; to 21 percent for those whose income is between \$1 million and \$5 million a year; it would make no reduction for those whose income is under \$1 million.

If you are a conservative, I hope you will vote down this closed-rule resolution because it prevents our voting for a fiscally responsible highway bill. We need highways, but we need to fund our highway program on a sound basis.

If you are a liberal, I hope you will vote down this closed-rule resolution in order that the Members may vote on an amendment to reduce the oil-depletion allowance. It is not fair to load all the costs of the highway program on the businessman calling on his customers, the worker on his way to work, the Sunday driver out for a weekend spin.

The oil industry, by a reasonable reduction in the depletion allowance, should also help to pay for our interstate highways. We hear much about the benefits of participating in the democratic right to pay taxes. The best way to give the oil companies a feeling of participation, a sense of togetherness, is by reducing the oil-depletion allowance.

I hope the closed rule will be voted down.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Iowa.

Mr. GROSS. I am one of those who introduced a bill to decrease the oil-depletion allowance from 27½ to 15 percent. I heartily subscribe to the gentleman's argument against this closed rule, which prohibits all amendments, and I will join him in voting against its adoption.

Mr. REUSS. I thank the gentleman. I am sure the Committee on Rules can report out a rule quickly.

Mr. THORNBERRY. Mr. Speaker, I yield 5 minutes to the gentleman from Indiana [Mr. BARR].

Mr. BARR. Mr. Speaker, the approach which the committee seems to be taking in this Federal Highway Act is a matter of deep concern to me. By raising the gas tax 1 cent, even for a period of 22 months, this Congress is in effect violating the responsibility it holds under our Federal Union to give the States certain rights to solve their problems. In my opinion this increase in the gas tax is a clear violation of the financial rights of the States.

When I came to this Congress I had very little to offer the United States except a certain background in business and finance. I want to make a flat statement that it is my considered opinion that the United States of America is over the hump in the solution of many of its financial difficulties. I also want to make a flat assertion that the financial difficulties of the States and local governments are just beginning. We can hear a lot on this floor about wasteful spending, budget busting, and deficit financing, but let us just stop and take a look at the record. At the conclusion of World War II the United States of America had a total debt of approximately \$275 billion. Today that debt stands at \$285 billion, or an increase of about 3 percent. We have maintained this record in spite of the fact that we fought a Korean war, rehabilitated millions of veterans, and spent about \$80 billion rebuilding a destroyed Western World.

On the other hand, let's take a look at what happened to the States and local communities. Their debts at the end of World War II stood at about \$13 billion. Today their debt stands at \$52 billion, or an increase of approximately 400 percent and, ironically, their troubles are just starting.

Barring unforeseen catastrophes, I believe that it is in the power of our Federal Government to live within its existing tax structure, or even at a lower tax rate, and still meet our needs. We are

gradually shifting a portion of our mutual security program to our allies who are now in a position to take their share of the responsibility. Our defense program should give some signs of leveling off at about the \$40 billion figure that we worked on this year. Our expenditures for interest, veterans' benefits, and agriculture are probably about as high as they will go in the next decade. These items comprise the great bulk of our Federal budget. With a reasonably vigorous and growing economy, living within our means should not be too difficult.

But just take a look at the picture with State and local governments. This Nation is faced with a population explosion in the next decade. It is very probable that by 1970 we will have 50 million more people in this Nation. Cost of providing schools, police protection, fire protection, local roads, and local government are unquestionably due for a tremendous increase. I would say flatly that the States and local governments will be fortunate if they can hold their debt increase to the 400 percent figure that they established in the past 13 years.

In spite of the fact that it should be obvious to all reasonable men that relatively the financial difficulties of the United States are easing off and the financial troubles of the States are only getting started, still in this bill we are moving into an area on which the States and local governments depend heavily for their tax revenues. Mr. Speaker, in my opinion this is an unconscionable and unwarranted invasion of States rights.

I am well aware that this administration insists that we must give our financial aid to many of the nations of the world that are attempting to cope with severe problems. It must be obvious to the Members of this Congress, however, that our States and cities are faced with financial problems that to me seem almost insurmountable. It is difficult for me to understand how we can go back to our constituents and tell them that we can build roads and bridges all over the world out of the existing tax structure in this country, but that if we want to build a road program that will solve our own problems, then we must get the money by invading the financial rights of State and local governments.

There is a point of diminishing returns in any tax load, and 36 Governors of this Nation are on record as stating that that point has been reached in the gas tax. Surely we will not be so irresponsible as to raise this gas tax to aggravate the financial problems of our State and local governments.

Mr. COLLIER. Mr. Speaker, will the gentleman yield?

Mr. BARR. I yield to the gentleman from Illinois.

Mr. COLLIER. Did I understand the gentleman to say that the financial condition and the indebtedness of the Federal Government is must better, comparatively, than that of the municipalities and the States?

Mr. BARR. I said, sir, that the financial problems of the United States

over the next decade do not look as difficult as those of local governments. I also stated that in the last 13 years our debt has risen 3 percent; that of State and local governments has risen 400 percent.

Mr. COLLIER. Well, in that connection, if the gentleman will yield further, I know of no municipality or no State that is as far behind in paying its current obligations; and if we did not spend another dollar in this country starting right now and applied every cent of our tax revenue against the national debt, it would take us 5 years to pay off the national debt. If someone can show me city or State that is in this sad financial condition, I would like to know which one it is.

Mr. FALLON. Mr. Speaker, will the gentleman yield?

Mr. BARR. I yield to the gentleman from Maryland.

Mr. FALLON. Is the gentleman aware that the chairman of the Highway and Safety Committee of the Governors Conference, Governor Ribicoff of Connecticut, has stated that the governors have withdrawn their opposition against this 1-cent tax for this emergency period.

Mr. BARR. I was aware of that.

(Mr. BARR asked and was given permission to revise and extend his remarks.)

Mr. ALLEN. Mr. Speaker, I yield such time as he may require to the gentleman from New York [Mr. DOOLEY].

Mr. DOOLEY. Mr. Speaker, I rise in support of H.R. 8678 and I address myself to the committee amendment.

New York State acted in good faith on the basis of assurances that it would be reimbursed for those highways which it constructed with its own money and on its own initiative—between August 1947 and June 1957—a program by the way which has cost the State approximately a billion dollars.

To deny approval of this amendment is, in effect, repudiating the good intentions and the avowals, if you will, of the Government of the United States.

This highway program—the national program of which I speak—is the greatest undertaking ever embarked upon by any Nation at any time in history. The efforts to drain the Pontine Marshes or to construct the pyramids were as child's play compared to the 41,000 miles of highways linking every major city in the United States.

In material, in equipment—in cost—it supersedes anything ever attempted. And because some States were courageous enough to take the initiative once the network was envisioned and tentatively approved 12 years ago, in 1947 to be exact, we should not now refuse to condone their actions by saying that the cost is too great or by inferring that the States should have dragged their heels until Federal funds were forthcoming.

This amendment merely seeks to set things right—to have the Government avow publicly that it owes a debt to the States on which it is not going to default.

Neither the erosive processes of time nor the penny-pinching tactics of the

opposition can erase the fact that there were solemn assurances, carefully weighed and sincerely rendered that the Government of the United States would reimburse the States in proportionate amounts for their road construction programs.

I say in all justice we should accept this amendment and affirm the statement of policy regarding reimbursement.

Mr. BROOMFIELD. Mr. Speaker, will the gentleman yield?

Mr. DOOLEY. I yield.

Mr. BROOMFIELD. Mr. Speaker, I should like to commend the gentleman from New York [Mr. DOOLEY] for his fine statement. I do not blame him a bit for making a strong appeal for the State of New York, in view of the fact that it is one of the eight States that would really benefit from this so-called reimbursement to the tune of nearly \$800 million. The thing that I object to most strongly is not merely the declaration of policy, but the fact that as members of the Committee on Public Works, we know what is really behind it, and that the push will be on next year when we will not be able to afford it.

I should like to ask the gentleman this question: Would he have any objection—I know we cannot do it under the kind of rule that we have before us today—but would the gentleman have any objection to waiting until such time as the trust fund can afford to pay, or after completion of the interstate highway program?

Mr. DOOLEY. Personally I have no such objection, but I think there should be a reaffirmation of the Government's policy of paying the money that is due. Time is not of the essence here; it may not be next year, as the gentleman suggests, but a little longer. But the policy should be reaffirmed now, the policy that it should be paid.

Mr. BROOMFIELD. Will the gentleman join me in trying to do what may be done in getting that amendment?

Mr. DOOLEY. I should be glad to.

Mr. BROOMFIELD. I thank the gentleman.

Mr. ALLEN. Mr. Speaker, I yield such time as he may require to the gentleman from New York [Mr. OSTERTAG].

(Mr. OSTERTAG asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. OSTERTAG. Mr. Speaker, the Federal interstate highway program will provide a highly important network of 41,000 miles of safe and efficient super-highways to connect all the major areas of our country. This Interstate Highway System is vital to the military and civil defense of our Nation and to the proper and full development of our economy. It is needed to provide adequately for the ever-increasing automotive traffic as our country moves rapidly toward a population of 200 million people.

Therefore, I firmly believe that Congress must act now to remove the financial roadblocks which are threatening to bring construction of this important highway system to a virtual halt. This would cause acute hardship in many areas, including my own area of west-

ern New York. This situation has arisen for many reasons. But, if we do not act now the Federal Highway Administrator will not be able to make the necessary apportionment of funds to the States and new construction contracts will not be let for many months.

Today, we have been presented with the committee proposal for meeting this financial problem by providing the necessary funds or revenues which will enable the construction of the Interstate Highway System to remain on schedule. I have decided, though reluctantly, to go along with the proposal we have been offered today, because we seem to have no alternative if we wish to keep the highway program on schedule.

I cannot look with favor, however, on the proposal to increase gasoline taxes by one cent a gallon. The motorist is already paying many special taxes into the Highway Trust Fund to finance this interstate program.

Nor do I look any more kindly upon the second part of this financial plan which would divert a share of automotive excise taxes from the general Treasury into the Highway Trust Fund. If anything, this second part is even more objectionable to me. For in reality it solves nothing. It merely makes up a deficit in the Highway Trust Fund by creating a deficit in the general Treasury. It is robbing Peter to pay Paul.

Congress has consistently rejected this type of deficit financing during the existence of this program. It is my earnest hope that we will be able to reconsider this provision before it comes into effect in July 1961, as now scheduled.

Many months ago I introduced legislation in the Congress to provide the necessary funds through the issuance of highway revenue bonds. Under the terms of my bill, the bonds could be issued annually as needed to make up whatever funds were lacking in the trust fund. The bonds could be retired by extending the existing highway taxes for a few years beyond the present cutoff date or life of the program. This would require no new taxes on top of the existing taxes and it would not require another demand on general Treasury receipts and another pressure on the general budget. It would also make possible reimbursement to those States which built portions of the Federal Interstate System before Federal funds became available. The committee accepted this plan in part and included it in one of its earlier proposals. I regret that it was not retained in the measure which is being presented to us today, however, I do applaud and support the statement of policy in the measure before us to recognize the fairness and equity of reimbursing the States in money or in mileage for highways heretofore built or currently under construction which constitute a part of the 41,000-mile Interstate System.

Mr. Speaker, under the circumstances, I favor this rule and the legislation before us.

Mr. THORNBERRY. Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania [Mr. HOLLAND].

(Mr. HOLLAND asked and was given permission to speak out of order.)

Mr. HOLLAND. Mr. Speaker, I received yesterday a very interesting telegram pertaining to the appropriations contained in the public works program. I shall read that telegram:

PITTSBURGH, PA., September 1, 1959.

ELMER J. HOLLAND,
Member of Congress,
Washington, D.C.:

Refer public works appropriation bill now before Congress. Chamber of Commerce of Pittsburgh sustains President Eisenhower's position. However, repeat however, the chamber is on record with Congress and the Appropriations Committees urging early construction of Kinzua Dam and other projects in this area. Accordingly chamber continues to maintain its position that these projects be retained and urges that every measure be taken to protect the interest and lives of the public by appropriating funds necessary to carry out the work budgeted for the Kinzua Dam and related projects.

L. ROBERT M. WACHOB,
President, Chamber of Commerce of
Pittsburgh.

Mr. THORNBERRY. Mr. Speaker, I yield to the gentleman from South Dakota [Mr. McGOVERN] such time as he may require.

(Mr. McGOVERN asked and was given permission to extend his remarks at this point in the RECORD.)

[Mr. McGOVERN addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. ALLEN. Mr. Speaker, I yield to the gentleman from Florida for a unanimous-consent request.

CORRECTION OF ROLL CALL

Mr. CRAMER. Mr. Speaker, on roll-call No. 140, I am recorded as being absent. I was present and answered to my name, and I ask unanimous consent that the RECORD and Journal be corrected accordingly to show that I was present.

The SPEAKER pro tempore (Mr. WALTER). Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. THORNBERRY. Mr. Speaker, I yield 5 minutes to the gentleman from Indiana [Mr. MADDEN].

(Mr. MADDEN asked and was given permission to revise and extend his remarks.)

Mr. MADDEN. Mr. Speaker, in 1956 the Congress enacted a comprehensive Federal highway program which, according to the then estimates, would involve the expenditure over a period of years of approximately \$31 billion. Three years have now passed and this mammoth highway program is not very far out of the blueprint stage.

The pending legislation calls for the raising of a general gasoline tax in the amount of an addition 1c per gallon for the next 22 months in order to continue this highway program. Evidence was presented in the Rules Committee at a hearing on this bill yesterday that approximately \$1,900 million of the so-called trust fund which was set aside for the Federal highway program had been diverted or applied for other commitments made by the Federal Government on State and highway construc-

tion previous to the inauguration of the present Federal highway program. Of course if this money were retained as a trust fund for the present program, we would not be in the financial difficulty we are in today and this legislation would not be necessary. When the bill was passed by the Congress 3 years ago, assurances were made that a further increase in gasoline tax for highway construction would not be made under this program. This bill is merely another effort to saddle on the backs of millions in the small income group to pay for a large Federal construction program which could be more suitably financed by some other method than through what practically amounts to a gasoline sales tax. This administration seems to believe that the most practical way of relieving financial embarrassment to itself is to inflict a small tax upon the millions who are least able to bear the burden. I mentioned to the Congress on a number of occasions the billions of dollars that are lost annually to the Federal Treasury by reason of special concessions to certain high bracket taxpayers both corporate and individual. Congressman REUSS, of Wisconsin, appeared before the Rules Committee yesterday and presented an amendment wherein a 50 percent reduction of the present 27½ percent oil depletion tax allowance if enacted could easily provide sufficient money to carry on this highway program without the necessity of the 1 cent gasoline tax. Under a closed rule provision his amendment could not be considered by the House.

Some of the newspapers carried an ad some time ago where approximately 22 high bracket steel executives were receiving special tax considerations on stock options which they were allowed to purchase at special prices and that some of their individual annual incomes would total approximately three hundred thousand to one-half million dollars. Of course Members of Congress are familiar with the generous tax writeoffs of the construction and contract negotiations with corporations who are doing business with the Government involving billions over the years. Chairman MILLS stated that this fall a subcommittee was convening to make a study of our tax structure and no doubt a number of these tax bonanzas and special deductions considerations to high-bracket taxpayers will eventually be reduced or repealed. Until legislation is enacted by the Congress which would make our tax laws more equitable to all segments of our economy, I cannot see my way clear in good conscience to vote for legislation that will saddle an additional tax burden on the millions who purchase gas to drive cars, trucks, and farm machinery throughout our Nation when so many billions of dollars are lost to the Treasury by tax loopholes.

Seven years ago when the Eisenhower administration came into power Secretary of the Treasury Humphrey brought about an increase in interest rates that over the last 7 years has siphoned an additional 6 to 7 billion dollars from the American taxpayers. This and other fiscal policies of the White House brain-

trusts including the unbridled rise in the cost of living has finally exhausted the small bracket taxpayer.

Mr. ALLEN. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan [Mr. HOFFMAN].

SPECIAL ORDER GRANTED

Mr. HOFFMAN of Michigan. Mr. Speaker, I ask unanimous consent on the next 3 days when the House may be in session, upon the conclusion of other special orders, I may be permitted to speak on each occasion for 10 minutes.

The SPEAKER pro tempore (Mr. WALTER). Is there objection to the request of the gentleman from Michigan?

There was no objection.

[Mr. HOFFMAN of Michigan addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. ALLEN. Mr. Speaker, although I realize there may be some who are opposed to the bill itself, I know of no one opposed to the rule, and I reserve the balance of my time.

Mr. BASS of Tennessee. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER pro tempore. The Chair will count. [After counting.] Two hundred and twenty-three Members are present, a quorum.

Mr. THORNBERRY. Mr. Speaker, I move the previous question.

Mr. REUSS. Mr. Speaker, on this I ask for the yeas and nays.

The yeas and nays were refused.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The question was taken, and the Speaker announced the yeas appeared to have it.

Mr. REUSS. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. The Chair will count. [After counting.] Two hundred and forty-one Members are present, a quorum.

Mr. REUSS. Mr. Speaker, on this I demand the yeas and nays.

The yeas and nays were refused.

The resolution was agreed to.

Mr. FALLON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 8678) to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 8678, with Mr. JENNINGS in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Maryland [Mr. FALLON] will be recognized for 1 hour, and the gentleman from New Jersey [Mr. AUCHINCLOSS] will be recognized for 1 hour.

The gentleman from Maryland is recognized.

Mr. FALLON. Mr. Chairman, I yield myself such time as I may require.

Mr. Chairman, the bill before the House is H.R. 8678, to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, with respect to the National System of Interstate and Defense Highways.

Before describing the adjustments proposed in the bill, I will comment briefly on the objectives of the Highway Act of 1956 and the progress we are making in attaining those objectives.

In 1956 the Congress declared it to be in the national interest to accelerate the construction of the Federal-aid highway systems, including the Interstate System, since many of these highways were, and still are, inadequate to meet the needs of local and interstate commerce and the National defense. Congress further declared it to be essential to the national interest to provide for the early completion of the Interstate System, and declared its intent that this 41,000-mile system of express highways designed to accommodate 1975 traffic be completed as nearly as practicable over a 13-year period.

We are building, then, both for today's needs and tomorrow's needs. This vast program is well underway. The roads are being built, not on a piecemeal, hit-or-miss basis, but in accordance with careful, balanced planning. Within the next few years, we will see these short stretches grow into a connected system of express highways which, with an improved system of feeder routes, will make possible a new era of highway transportation in the United States.

The Interstate System is an investment, and an unusually sound one. A number of the potential dividends are intangible; others can be measured in terms of dollars and cents. We are talking about a system with a useful life of many generations, and, on that basis, it would not be difficult to enumerate tangible benefits amounting to three or more times the cost. This is an extremely favorable cost-benefit ratio for any public works undertaking.

The Interstate System is urgently needed for the reduction of highway accident deaths. A delay of 1 year in the construction schedule will result in

the needless loss of 5,700 lives, according to the National Safety Council.

The Interstate System also plays a vital part in our planning for national defense. In this connection, I wish to call the attention of the House to a brief excerpt from a letter recently received by me from Maj. Gen. F. S. Besson, Jr., Chief of Transportation, Department of the Army. General Besson, in presenting the current views of the Department of Defense on the importance of the interstate program, pointed out that two of the four general defense concepts—dispersion and mobility—can be obtained only to the degree that our transportation facilities are capable of supporting them, and that it is imperative that we use the flexibility of highways to fully exploit the concepts of dispersion and mobility. I quote now from General Besson's letter:

Defensive and retaliatory weapons must have the greatest mobility that can be developed if they are to retain their effectiveness. The Interstate System, with its uniform characteristics, will provide arterial routes for the development of this mobility. Because of the military pressures generated by the rapid evolution in weapons systems, the National System of Interstate and Defense Highways, a relatively small system of controlled-access arterial highways, interstate in character, is of greater importance to our national defense now than ever before.

These vast benefits—defense benefits, lifesaving benefits, economic benefits—are of such great magnitude that we cannot afford to postpone them.

Every citizen of the United States benefits from the construction of these highways. We recognize, of course, that some citizens will derive greater benefits than others.

Section 210 of the Highway Act of 1956 directed the Secretary of Commerce to make a study of the benefits derived from Federal-aid highways by each class of persons using the highways or otherwise deriving benefits from the highways, and the proportionate share of highway costs attributable to each class of persons using the highways, with the object of making available to the Congress information on the basis of which it may determine what taxes should be imposed, and in what amounts, for the equitable support of

the highway program. Congress will not have the benefit of the report on this study until 1961.

Meanwhile, temporary measures are necessary to prevent a costly and wasteful interruption in the highway program.

H.R. 8678 is temporary, emergency legislation. It meets the immediate problem. It leaves the way clear for a revision of highway financing legislation in 1961, when the appropriate studies will become available. The bill provides for reasonable progress during the interim period.

Title I of the bill is a result of hearings and deliberations by the Committee on Public Works. Section 102 takes into account the immediate and urgent financing problem by amending the Highway Act of 1956, as amended, to reduce the interstate authorization for the fiscal year 1961 from \$2,500 million to \$2 billion. Section 103 proposes a further amendment to section 8 of the Highway Act of 1958 to provide that the apportionment of interstate funds to the States for fiscal 1962 be made on the same basis as the apportionments for fiscal 1960 and 1961.

An amendment approved by the Committee on Public Works would amend section 114 of the Highway Act of 1956 to declare the intent and policy of Congress to equitably reimburse in money or in mileage each State for every portion of a toll or free highway, bridge or tunnel within such State which is on the Interstate System, the construction of which has been completed subsequent to August 2, 1947, or which is either in actual use or under construction by contract, for completion, awarded not later than June 30, 1957.

The revenue provisions of the bill are included in title II.

These provisions were drafted by the Committee on Ways and Means, after full hearings and lengthy deliberations. In its discussions, the committee kept in close contact with the members of the Committee on Public Works. The distinguished chairman of the Committee on Ways and Means, the gentleman from Arkansas, is deserving of the highest praise for his leadership, his open-minded approach to the problem, and his diligence in seeking a generally acceptable solution.

Approximate apportionment of Federal-aid highway funds for fiscal year 1961 (pursuant to H.R. 8678 and Federal-Aid Highway Act of 1958)

[Millions of dollars]

State	Federal aid				Inter-state System (\$2,000)	Total (\$2,925)		State	Federal aid				Inter-state System (\$2,000)	Total (\$2,925)
	Primary (\$416.3)	Secondary (\$277.5)	Urban (\$231.2)	Sub-total ¹ (\$925)					Primary (\$416.3)	Secondary (\$277.5)	Urban (\$231.2)	Sub-total ¹ (\$925)		
Alabama	8.5	6.6	3.0	18.1	39.4	57.5		Kansas	9.4	6.6	2.2	18.2	17.9	36.1
Alaska	22.3	14.9	.1	37.3	37.3	37.3		Kentucky	7.4	6.2	2.4	16.0	35.2	51.9
Arizona	6.0	4.1	.9	11.0	27.3	38.3		Louisiana	6.2	4.5	3.4	14.1	52.8	66.2
Arkansas	6.5	5.3	1.3	13.1	19.9	33.0		Maine	3.3	2.3	1.0	6.6	10.3	16.9
California	19.2	9.9	20.7	49.8	203.2	253.0		Maryland	3.8	2.3	3.9	10.0	45.1	55.1
Colorado	7.5	5.0	1.9	14.4	15.5	29.9		Massachusetts	5.4	2.0	9.7	17.1	55.7	72.8
Connecticut	2.7	1.4	4.5	8.6	24.4	33.0		Michigan	12.5	7.6	10.8	30.9	78.6	109.5
Delaware	2.1	1.4	.5	4.0	7.0	11.0		Minnesota	10.5	7.4	3.8	21.7	37.7	59.4
Florida	6.5	4.3	4.2	15.0	51.8	66.8		Mississippi	7.0	5.9	1.3	14.2	22.0	36.2
Georgia	9.8	7.6	3.4	20.8	48.3	69.1		Missouri	11.2	7.6	5.7	24.5	57.1	81.6
Idaho	4.7	3.3	.4	8.4	13.8	22.2		Montana	7.8	5.4	.5	13.7	22.7	36.4
Illinois	15.7	8.4	16.3	40.4	102.5	142.9		Nebraska	7.6	5.4	1.4	14.4	12.3	26.7
Indiana	9.7	6.7	5.6	22.0	57.7	79.7		Nevada	4.7	3.1	.2	8.0	10.5	18.5
Iowa	9.4	7.0	2.8	19.2	19.0	38.2		New Hampshire	2.1	1.4	.7	4.2	11.0	15.2

Footnote at end of table.

Approximate apportionment of Federal-aid highway funds for fiscal year 1961 (pursuant to H.R. 8678 and Federal-Aid Highway Act of 1958)—Continued

[Millions of dollars]

State	Federal aid				Inter-state System (\$2,000)	Total (\$2,925)	State	Federal aid				Inter-state System (\$2,000)	Total (\$2,925)
	Primary (\$416.3)	Secondary (\$277.5)	Urban (\$231.2)	Sub-total ¹ (\$925)				Primary (\$416.3)	Secondary (\$277.5)	Urban (\$231.2)	Sub-total ¹ (\$925)		
New Jersey.....	5.6	1.9	10.2	17.7	64.7	82.4	Tennessee.....	8.6	6.8	3.4	18.8	59.3	78.1
New Mexico.....	6.6	4.6	.8	12.0	24.0	36.0	Texas.....	25.3	16.9	11.1	53.3	90.3	143.6
New York.....	19.5	7.7	31.1	58.3	99.0	157.3	Utah.....	4.7	3.1	1.0	8.8	18.7	27.5
North Carolina.....	10.0	8.7	3.0	21.7	10.8	32.5	Vermont.....	2.1	1.4	.4	3.9	18.9	22.8
North Dakota.....	5.4	4.0	.4	9.8	8.9	18.7	Virginia.....	7.7	6.0	3.6	17.3	84.7	102.0
Ohio.....	14.2	8.6	13.4	36.2	130.3	166.5	Washington.....	6.6	4.4	3.5	14.5	36.2	50.7
Oklahoma.....	8.5	6.1	2.5	17.1	18.2	35.3	West Virginia.....	4.4	3.9	1.5	9.8	25.1	34.9
Oregon.....	6.6	4.6	1.9	13.1	34.7	47.8	Wisconsin.....	9.4	6.6	4.5	20.5	21.1	41.6
Pennsylvania.....	16.7	9.9	17.6	44.2	81.5	125.7	Wyoming.....	5.0	3.4	.2	8.6	20.8	29.4
Rhode Island.....	2.1	1.4	1.7	5.2	9.3	14.5	Hawaii.....	2.1	1.4	.8	4.3	-----	4.3
South Carolina.....	5.5	4.6	1.6	11.7	16.5	28.2	District of Columbia.....	2.1	1.4	2.0	5.5	19.8	25.3
South Dakota.....	5.9	4.2	.4	10.5	8.5	19.0	Puerto Rico.....	2.2	2.3	2.0	6.5	-----	6.5

¹ Amounts shown are before deduction of any repayable advances utilized by the States pursuant to sec. 2(e) of the Federal-Aid Highway Act of 1958.

Approximate apportionment of Federal-aid highway funds for fiscal year 1962 (pursuant to H.R. 8678 and Federal-Aid Highway Act of 1958)

[Millions of dollars]

State	Federal aid				Inter-state System (\$2,200)	Total (\$3,125)	State	Federal aid				Inter-state System (\$2,200)	Total (\$3,125)
	Primary (\$416.3)	Secondary (\$277.5)	Urban (\$231.2)	Sub-total ¹ (\$925)				Primary (\$416.3)	Secondary (\$277.5)	Urban (\$231.2)	Sub-total ¹ (\$925)		
Alabama.....	\$8.5	\$6.6	\$3.0	\$18.1	\$43.4	\$61.5	Nevada.....	4.7	3.1	0.2	8.0	11.5	19.5
Alaska.....	22.3	14.9	.1	37.3	-----	37.3	New Hampshire.....	2.1	1.4	.7	4.2	12.1	16.3
Arizona.....	6.0	4.1	.9	11.0	30.0	41.0	New Jersey.....	5.6	1.9	10.2	17.7	71.2	88.9
Arkansas.....	6.5	5.3	1.3	13.1	21.8	34.9	New Mexico.....	6.6	4.6	.8	12.0	26.4	38.4
California.....	19.2	9.9	20.7	49.8	223.6	273.4	New York.....	19.5	7.7	31.1	58.3	109.0	167.3
Colorado.....	7.5	5.0	1.9	14.4	17.0	31.4	North Carolina.....	10.0	8.7	3.0	21.7	11.9	33.6
Connecticut.....	2.7	1.4	4.5	8.6	26.8	35.4	North Dakota.....	5.4	4.0	.4	9.8	9.7	19.5
Delaware.....	2.1	1.4	.5	4.0	7.7	11.7	Ohio.....	14.2	8.6	13.4	36.2	143.3	179.5
Florida.....	6.5	4.3	4.2	15.0	57.0	72.0	Oklahoma.....	8.5	6.1	2.5	17.1	20.0	37.1
Georgia.....	9.8	7.6	3.4	20.8	53.1	73.9	Oregon.....	6.6	4.6	1.9	13.1	38.1	51.2
Idaho.....	4.7	3.3	.4	8.4	15.2	23.6	Pennsylvania.....	16.7	9.9	17.6	44.2	89.7	133.9
Illinois.....	15.7	8.4	16.3	40.4	112.8	153.2	Rhode Island.....	2.1	1.4	1.7	5.2	10.3	15.5
Indiana.....	9.7	6.7	5.6	22.0	63.4	85.4	South Carolina.....	5.5	4.6	1.6	11.7	18.1	29.8
Iowa.....	9.4	7.0	2.8	19.2	20.9	40.1	South Dakota.....	5.9	4.2	.4	10.5	9.3	19.8
Kansas.....	9.4	6.6	2.2	18.2	19.7	37.9	Tennessee.....	8.6	6.8	3.4	18.8	65.2	84.0
Kentucky.....	7.4	6.2	2.4	16.0	38.7	54.7	Texas.....	25.3	16.9	11.1	53.3	99.4	152.7
Louisiana.....	6.2	4.5	3.4	14.1	58.1	72.2	Utah.....	4.7	3.1	1.0	8.8	20.6	29.4
Maine.....	3.3	2.3	1.0	6.6	11.3	17.9	Vermont.....	2.1	1.4	.4	3.9	20.7	24.6
Maryland.....	3.8	2.3	3.9	10.0	49.6	59.6	Virginia.....	7.7	6.0	3.6	17.3	93.2	110.5
Massachusetts.....	5.4	2.0	9.7	17.1	61.3	78.4	Washington.....	6.6	4.4	3.5	14.5	39.8	54.3
Michigan.....	12.5	7.6	10.8	30.9	86.5	117.4	West Virginia.....	4.4	3.9	1.5	9.8	27.6	37.4
Minnesota.....	10.5	7.4	3.8	21.7	41.5	63.2	Wisconsin.....	9.4	6.6	4.5	20.5	23.2	43.7
Mississippi.....	7.0	5.9	1.3	14.2	24.2	38.4	Wyoming.....	5.0	3.4	.2	8.6	22.9	31.5
Missouri.....	11.2	7.6	5.7	24.5	62.8	87.3	Hawaii.....	2.1	1.4	.8	4.3	-----	4.3
Montana.....	7.8	5.4	.5	13.7	25.0	38.7	District of Columbia.....	2.1	1.4	2.0	5.5	21.8	27.3
Nebraska.....	7.6	5.4	1.4	14.4	13.6	28.0	Puerto Rico.....	2.2	2.3	2.0	6.5	-----	6.5

¹ Amounts shown are before deduction of any repayable advances utilized by the States pursuant to sec. 2(e) of the Federal-Aid Highway Act of 1958.

A 51-percent increase in 3 years; or 17 percent per year.

HAS THE ABC PROGRAM BEEN DELAYED BY THE INTERSTATE PROGRAM?

The ABC program has been advanced in line with the increased authorizations and on July 1, 1959, 3 years after the enlarged program was initiated, the ABC program was ahead of the schedule estimated in 1956 as being the rate that might be expected for it. This has been true even with the special additional \$600 million program authorized in the 1958 act. The interstate program has not delayed it.

The attached table shows by States the progress in getting the ABC work underway, giving the status on July 1 at each year 1956, 1957, 1958, and 1959. Another table shows total work underway and completed under the ABC program since July 1, 1956. Only four States show any reduction in volume of ABC work underway in 1959 compared to 1956. Nationwide the comparative figures are:

1956..... Millions
1959..... \$1,869.4
2,823.4

Federal-aid primary, secondary, and urban projects underway, including projects financed from funds provided by sec. 2(a) of Federal-Aid Highway Act of 1958

[Millions of dollars]

State	Total cost			
	July 1, 1956	July 1, 1957	July 1, 1958	July 1, 1959
Alabama.....	39.3	54.1	54.8	52.3
Alaska.....	-----	2.1	12.9	22.2
Arizona.....	9.1	12.5	14.2	16.1
Arkansas.....	21.2	24.2	19.0	36.0
California.....	117.0	129.2	96.5	112.6
Colorado.....	17.8	23.2	26.5	27.6
Connecticut.....	12.4	5.9	26.4	58.6
Delaware.....	5.7	9.3	10.8	10.8
Florida.....	34.9	30.0	24.9	46.1
Georgia.....	47.3	66.0	88.5	119.7
Hawaii.....	3.5	3.8	3.9	13.4
Idaho.....	12.8	10.3	15.9	22.1
Illinois.....	81.1	80.2	89.6	152.1
Indiana.....	47.9	30.0	49.9	77.4
Iowa.....	30.0	43.1	35.2	40.7
Kansas.....	22.4	27.6	39.0	41.3
Kentucky.....	37.9	23.0	40.4	67.3
Louisiana.....	37.8	38.8	42.7	74.7

Federal-aid primary, secondary, and urban projects underway, including projects financed from funds provided by sec. 2(a) of Federal-Aid Highway Act of 1958—Con.

[Millions of dollars]

State	Total cost			
	July 1, 1956	July 1, 1957	July 1, 1958	July 1, 1959
Maine.....	13.1	14.8	14.0	18.4
Maryland.....	21.9	31.1	29.2	43.9
Massachusetts.....	42.3	52.9	52.0	68.4
Michigan.....	50.3	51.0	59.9	74.2
Minnesota.....	43.3	45.8	50.7	73.7
Mississippi.....	22.5	28.7	37.0	49.1
Missouri.....	65.2	77.3	70.6	74.5
Montana.....	28.8	30.6	31.8	41.7
Nebraska.....	34.6	31.9	45.9	45.2
Nevada.....	9.6	14.0	10.1	7.7
New Hampshire.....	9.8	13.4	11.9	11.8
New Jersey.....	33.8	26.1	39.1	56.2
New Mexico.....	11.7	11.7	17.0	20.0
New York.....	213.2	249.0	243.1	288.9
North Carolina.....	52.3	57.8	50.7	42.4
North Dakota.....	12.4	21.2	20.2	24.7
Ohio.....	72.1	83.5	125.5	126.9
Oklahoma.....	36.2	35.4	34.1	32.0
Oregon.....	24.6	28.0	18.8	31.9
Pennsylvania.....	114.1	117.9	142.8	157.7
Rhode Island.....	15.5	14.8	7.8	18.0
South Carolina.....	19.4	29.0	38.8	38.7
South Dakota.....	16.7	17.0	11.4	19.7

Federal-aid primary, secondary, and urban projects underway, including projects financed from funds provided by sec. 2(a) of Federal-Aid Highway Act of 1958—Con.

[Millions of dollars]

State	Total cost			
	July 1, 1956	July 1, 1957	July 1, 1958	July 1, 1959
Tennessee.....	48.4	55.0	67.7	61.5
Texas.....	98.7	115.5	105.2	140.2
Utah.....	9.7	10.5	11.2	12.1
Vermont.....	10.7	8.5	8.8	13.7
Virginia.....	30.0	33.4	42.2	38.3
Washington.....	24.0	29.1	31.4	39.6
West Virginia.....	16.5	29.1	32.2	31.9
Wisconsin.....	50.1	47.6	42.8	56.7
Wyoming.....	14.0	18.4	15.6	19.5
District of Columbia.....	7.1	3.7	10.4	20.3
Puerto Rico.....	18.7	18.2	23.3	32.9
Total.....	1,869.4	2,065.2	2,244.3	2,823.4

Contracts completed since July 1, 1956, or underway on July 31, 1959, under the ABC program

[Millions of dollars]

State	Total cost	Federal funds	Miles
Alabama.....	\$110.10	\$57.0	2,333.8
Alaska.....	19.0	16.20	538.30
Arizona.....	40.70	30.2	417.0
Arkansas.....	53.40	26.7	1,340.1
California.....	262.20	131.8	786.7
Colorado.....	69.10	36.3	751.9
Connecticut.....	43.50	22.5	56.7
Delaware.....	22.90	11.1	164.3
Florida.....	87.80	43.3	878.8
Georgia.....	129.10	63.7	1,973.2
Hawaii.....	13.2	6.4	24.60
Idaho.....	37.60	23.2	675.2
Illinois.....	212.70	110.2	2,117.0
Indiana.....	111.10	58.3	908.5
Iowa.....	110.50	58.4	3,551.0
Kansas.....	94.70	47.0	3,669.5
Kentucky.....	89.0	46.1	1,167.4
Louisiana.....	60.70	29.4	660.9
Maine.....	38.70	19.3	342.5
Maryland.....	58.20	28.70	428.40
Massachusetts.....	99.10	48.2	132.70
Michigan.....	165.4	79.30	2,151.90
Minnesota.....	119.4	62.0	4,625.6
Mississippi.....	72.30	35.8	2,260.2
Missouri.....	136.70	69.1	3,451.0
Montana.....	74.50	46.9	1,309.7
Nebraska.....	94.90	49.7	2,756.5
Nevada.....	31.70	26.0	657.0
New Hampshire.....	26.60	13.6	156.4
New Jersey.....	74.50	36.2	112.1
New Mexico.....	48.80	31.0	729.7
New York.....	442.90	207.20	988.4
North Carolina.....	108.60	53.6	1,776.4
North Dakota.....	58.40	29.5	3,858.1
Ohio.....	194.90	99.2	518.9
Oklahoma.....	108.80	54.0	1,674.0
Oregon.....	62.80	37.2	675.5
Pennsylvania.....	249.70	121.5	773.3
Rhode Island.....	29.00	14.3	50.1
South Carolina.....	57.7	29.9	1,599.3
South Dakota.....	51.40	28.9	2,433.6
Tennessee.....	115.10	56.0	1,817.9
Texas.....	285.00	144.9	4,911.9
Utah.....	34.3	24.7	548.1
Vermont.....	22.8	11.6	181.5
Virginia.....	92.0	46.5	1,126.0
Washington.....	77.7	40.0	1,016.8
West Virginia.....	50.2	25.3	176.8
Wisconsin.....	125.5	63.4	1,761.6
Wyoming.....	41.0	26.4	788.4
District of Columbia.....	16.7	8.4	10.5
Puerto Rico.....	36.2	16.7	109.2
Total.....	4,868.8	2,502.8	67,938.9

Mr. AUCHINCLOSS. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. SCHERER].

(Mr. SCHERER asked and was given permission to revise and extend his remarks.)

Mr. SCHERER. Mr. Chairman, if there ever was a bill before this House which could be called a compromise measure, the Fallon bill, H.R. 8678, is such.

While it is now apparently acceptable to most of us, both in the legislative and executive branches, who have been actively working on solution of the various facets of the highway problem, it certainly is not wholly satisfactory to anyone. Assuredly I am not completely pleased even though, as the ranking Republican on the Roads Subcommittee, I joined with the gentleman from Maryland, its chairman, and introduced an identical bill based on the recommendation of the Committee on Ways and Means. The Committee on Public Works has made some minor changes in the bill before us.

Much credit for this acceptable compromise is due to the chairman of the Committee on Ways and Means, the Speaker, and the patient and long-suffering chairman of the Subcommittee on Roads, the gentleman from Maryland [Mr. FALLON].

It is my feeling that many of us have been willing to retreat from some rather firmly established positions and join in this compromise because we realize that the overriding issue, that of continuing the highway program, is so vital. In 1956 when we initiated this mammoth highway program, we did so because of many compelling reasons which I am going to review very briefly. Today these same reasons exist, but there have been many more added to them by the mere fact that we have started in motion the greatest public works program in the history of the United States. I will also enumerate some of these for the House.

NEED FOR HIGHWAYS

Prior to the passage of the 1956 Highway Act, the Committee on Public Works held long and exhaustive hearings concerning the urgent need for highway construction in the Nation.

The evidence was conclusive that our highways were inadequate and outmoded; that traffic, particularly in and near the population centers, was slowing to a snail's pace; that accidents and deaths on our highways were increasing at an alarming rate, due in large part to these inadequate and outmoded highways; that the losses from accidents and excessive operating costs of motor vehicles were reaching astronomical figures.

Let us review just a few statistics involving the 41,000-mile Interstate System. Although it comprises only about 1¼ percent of the total highway mileage of America, when and if the Interstate System is completed in 1975, as now contemplated, it will carry 20 percent of the traffic.

The evidence showed that the construction of the Interstate System would save the interstate motorists \$550 million each year in operating expenses, \$725 million per year in accident costs, \$825 million per year in commercial vehicle or truck time, or a total of direct monetary benefits of \$2.1 billion per year.

The savings reach astronomical figures when we realize there would be somewhat similar gains on the remaining 98 percent of America's improved and rebuilt highways.

We are told that, if deaths resulting from accident on our highways continue at the present rate, approximately 700,000 people will be killed between now and 1975. The experts say that, if by some miracle we could today have completed the modern highways that are provided for by the 1956 Highway Act, this death rate would be cut by 35 percent; 245,000 lives would be saved.

The experts are in all probability right because over last Memorial Day weekend there was not a single fatality on the heavily traveled toll roads. It should be remembered that the new Interstate System will be built to these toll road standards.

RESULTS OF FAILURE TO ACT

In considering this legislation we must remember that any substantial slowdown in the construction schedule provided for in the 1956 Highway Act will materially reduce these savings, both in lives and in money, which I have just mentioned. Any additional cost or tax which we must now impose will be less than these losses.

Let me now quickly enumerate just some of the additional losses and hardships that will result if Congress does not act as proposed in the Fallon bill.

First. None of the \$2.5 billion apportionments provided by the 1956 and 1958 acts for fiscal year 1961 can be made.

Second. Only token apportionments of the \$2.2 billion provided by the 1956 act can be made for the fiscal year 1962.

Third. Twenty-five State highway departments have already stopped awarding interstate and ABC highway contracts because of Congress present delay in acting in this crisis.

Fourth. By next July, 36 State highway departments will have stopped awarding new interstate contracts.

Fifth. The loss to contractors and suppliers who have greatly expanded their organizations at the request of the Congress in order to do the job would be tremendous.

Sixth. According to the American Association of State Highway Officials, failure to go forward at the proposed construction levels would cause a loss of approximately 500 million man-hours of on-site and off-site labor in the next 4 years, resulting in an earnings loss in excess of \$1 billion.

Seventh. It will mean a 9-month stoppage of all contracting for new highway construction and right-of-way acquisition.

Eighth. It will mean the delay payment of many vouchers submitted by States for reimbursement of money already expended by them for outstanding contracts amounting to approximately \$493 million this year.

Ninth. The total interstate highway construction authorized for fiscal years 1960 through 1963 will be cut nearly in two.

WHY THE CRISIS?

One of the big questions is: How did we get into this box or financial crisis? Did we not in 1956 estimate the cost of doing the job and then put aside in the trust fund sufficient user taxes so that we

could complete the program in about 13 years on a pay-as-you-go basis?

Yes; this is what we thought we did, but it did not work out that way.

It was estimated by the experts in 1954 that the Federal share of building the Interstate System would be:

	Federal	State	Total
Interstate System.....	\$25.1	\$2.8	\$27.9
Primary and secondary.....	13.4	13.4	26.8
Total.....	38.5	16.2	54.7

It is now estimated that the costs will be:

	Federal	State	Total
Interstate System.....	\$36.2	\$4.0	\$40.2
Primary and secondary.....	15.7	15.7	31.4
Total.....	51.9	19.7	71.6

In other words, we are going to have to raise \$13.4 billion more in order to complete the Interstate System.

Now some people, both in and out of the Congress, are going to look for a scapegoat. Obviously there has been some mistakes. There could not help but be a certain number in a program of the magnitude of this.

But before beginning to blame anyone, before setting up ourselves as sidewalk engineers, let us take a look at about a dozen factors which got us into the crisis in which we find ourselves today.

First. When the Ways and Means Committee in 1956 set up the financing, it was contemplated that in some of the early years of the program expenditures would exceed trust fund receipts and that during the latter part there would be years in which the receipts exceeded the disbursements.

Therefore, in the early years there might be borrowings from the contemplated surplus near the end of the program. With the tremendously increased cost, of course, there will be no such surplus.

Even if there were a surplus as contemplated, the so-called Byrd amendment was tacked onto the 1956 bill when it reached the Senate. The Byrd amendment provided that apportionments to the States could be made only to the extent that the trust fund could support the expenditures. So at the very outset we upset the financing plan by making it impossible in these early years to make the apportionments and expenditures called for in the 1956 act because, as I have pointed out, the receipts provided for in these early years were less than the proposed expenditures.

Second. The trust fund absorbed, as was not contemplated, approximately \$1.5 billion of highway obligations due and owing on the effective date of the 1956 act.

Third. In 1958 Congress got the recession jitters, particularly the Senate, and provided in the 1958 act for an acceleration of the road program by \$1.6 billion. This was done without providing the revenues for the trust fund to meet this increased cost.

Fourth. The Senate also added 1,000 miles to the 40,000-mile Interstate System. These are often called "political miles." Again, no revenues were provided for the trust fund to pay for this additional mileage.

Fifth. Highway standards and requirements were increased to take care of some local needs. Standards had to be increased also because, like our population, there was an unexpected and unforeseen increase in motor vehicles. Even since 1956 motor vehicle use on our highways has increased at a far greater rate than was predicted by the experts just three years ago. Today there are 70 million motor vehicles on our highways. By 1969 there will be over 100 million. Just think of it—a 40 percent increase.

Sixth. The original estimates of cost on which the 1956 Act was based were made rather hurriedly by the state highway departments in 1954. There were some miscalculations. Since 1954 construction costs and right-of-way acquisitions have increased by about 12 percent. However, in the last year they have been stabilized, and we find that some bids are lower than engineering estimates by as much as 5 percent.

We can now understand why on July 1 of this year almost \$500 million now due the States for obligations already incurred could not be paid—why the apportionment of the \$2.5 billion provided for fiscal year 1961 could not be made, and why next July only a token apportionment of the \$2.2 billion for fiscal year 1962 can be made.

I think I have demonstrated why highway expenditures must continue at or about the level contemplated in the 1956 Highway Act. One can readily see that, even if we continue the expenditures at this level, there is going to be a substantial cutback in the actual construction program. Fewer miles will be built in the next several years because of the increased costs to which I have just referred.

DEFICIT SPENDING OR TAXES?

Now the next big questions—and the ones over which there has been the most controversy—are:

How do we replenish the trust fund?

Where and how do we get the money?

While there are numerous ways and means or schemes and plans, there really are only two basic methods:

First. We either borrow the money, or

Second. We raise the necessary taxes to keep the program on a pay-as-you-go basis.

Borrowing the money means further deficit financing.

It means increasing the national debt.

It means unbalancing the budget.

It means adding fuel to the inflationary spiral which in turn increases the cost of the roads.

If revenue bonds are sold, it means that they must compete with the sale of general obligation bonds which are becoming more and more difficult to sell each day.

The transferring of automobile excise taxes which now go into the general fund has strong political appeal, but it

too is just another form of deficit financing.

The only alternative to the evils of deficit financing as I have outlined them is raising the necessary revenues by some form of taxation. No one, of course, likes to put his feet to the political fire and raise taxes. But how can one with any sense of fiscal responsibility advocate that we go into more debt at this time to build these highways?

If all of the people of the United States had an opportunity, as I did, to listen to Maurice Stans, Director of the Bureau of the Budget, review the precarious financial condition of this country, if they had the opportunity of reading his recent article in the Reader's Digest entitled "Must We Delude Ourselves Into Disaster?" the verdict against any more borrowing would be almost unanimous.

The President, in his State of the Union message in January and in two subsequent messages to Congress, recommended an increase in the Federal motor fuel tax of 1½ cents per gallon for 5 years. Such a tax would keep the highway program at the level provided by the 1956 act and not require any deficit spending or borrowing.

Now there are many who oppose increasing the tax on highway users because they feel users are already paying more than their share. They argue, and with some merit, that there are those who receive benefits from these highways other than users.

In passing, however, I should point out that the new highways will be equivalent to our present toll roads; that motorists often go many miles out of their way to use the toll roads; that they are willing to pay a charge or tax amounting to some 20 to 25 cents per gallon for the privilege of using these roads.

I do not go along with the contention that no excise taxes from the great automobile industry should be used in support of the General Treasury and that all of these taxes should necessarily be earmarked for highway construction.

There are many other industries in this country which pay excise taxes to the General Treasury, none of which are earmarked or used for the direct benefit of the industry which pays them. Let me just mention a few which are in this category: transportation, jewelry and fur industries, manufacturers of sporting goods, and so forth.

THE 1961 REPORTS

We are going to settle this question—I hope once and for all—16 months from now. At that time there are two reports due this Congress, resulting from extensive and exhaustive studies and surveys.

First. These surveys will tell us whether or not the tax base for the trust fund should be broadened to include other than highway users who may receive benefits from our modern highways, such as adjoining landowners, Department of Defense, and so forth.

Second. These studies will tell us the effect that various vehicles have on the highways and the life thereof, and the standards and costs of construction

made necessary to carry and support the various sizes and weights of vehicles.

Third. These studies will enable the Congress to determine the fair and equitable share of the taxes or charges that each class of highway users should pay.

Fourth. Finally, these reports will give us a revised and accurate estimate of the cost of completing the Interstate System.

One can readily see, therefore, that we have two distinct parts or phases of the highway problem confronting us:

First. The need of solving the immediate financial crisis and keeping this mammoth program somewhat on schedule.

Second. The long-range construction and financing problem which can only be solved after Congress receives the two reports I mentioned, 16 months from now. We cannot possibly solve this second phase now because we would be working in the dark. When these reports are received, those who are dissatisfied with either the construction or financing phase of the highway program can be heard.

With these reports before them, the critics of the program—in fact, all of us—can then decide:

First. Whether highway users are paying too much or too little of the cost of building and maintaining highways.

Second. Whether commercial vehicles are paying too much or too little compared to the passenger cars.

Third. Whether standards of construction, right-of-way widths, and so forth, should be changed.

Fourth. Whether the Interstate or ABC System is being discriminated against.

Fifth. Whether the formula for sharing costs between the States and the Federal Government should be amended.

I beg of you to wait for 16 months so that we can more intelligently discuss and decide these issues. Let us not attack the program now. Let us not attempt to place blame on the Bureau of Public Roads or the various State highway departments. Sure, they have made some mistakes—and who would not in a program of this magnitude? Certainly Congress has made its share of miscues, as I have pointed out before.

I believe that the Bureau of Public Roads and the State highway departments have generally done a good job under trying circumstances. Let us not discredit a good and needed road program during these closing hours of this session of Congress.

THE FALLON BILL

The Fallon bill attempts to solve only the immediate phase or first part of the highway problem. It recognizes that we must wait for the two reports I have mentioned in order to deal intelligently with the second or major part of the problem.

The Fallon bill, as I said at the beginning, is a compromise measure. While it is acceptable to most of us who have worked with this matter, I know of no one whom it satisfies entirely. Al-

though I introduced a companion bill, I certainly am not satisfied with all of its provisions.

The Fallon bill proposes to handle the current and immediate financing problem:

First. By the imposition of a new tax for the limited time of 22 months.

Second. By deficit financing in providing for a transfer of 5 percentage points of the excise taxes on automobiles, accessories, and parts from the general fund to the highway trust fund for a period of 3 years.

The Fallon bill falls short of keeping the construction program at the levels provided in the 1956 and 1958 acts.

First. It specifically reduces the authorization for fiscal year 1961 from \$2.5 billion to \$2 billion.

Second. Since the Byrd amendment is retained, actual expenditures in all probability will not exceed \$1.8 billion.

Third. In fiscal year 1962 expenditures will be approximately \$2 billion instead of \$2.2 billion as heretofore authorized for that year.

While some of us would like to keep the program at the levels previously authorized, it was necessary to compromise on the lower expenditure figures so that agreement might be reached.

REIMBURSEMENT FOR TOLL ROADS AND FREEWAYS

Some of us hoped that this highway bill could be considered solely as an emergency matter—which it is—and deal only with the financial crisis we are facing. One of the most controversial issues is the reimbursement of States that have built toll roads and freeways from State or other funds, and which highways have been incorporated into the interstate system.

An amendment to the Fallon bill was offered in committee dealing with reimbursement. After this amendment was watered down so that it became a mere statement of policy that States would be reimbursed at some time, I reluctantly agreed to accept it.

The amendment, as originally offered in committee, would have made it mandatory that following the 1961 reports reimbursement would be made.

As I said, I would prefer that this statement of policy not be in this bill, but I accepted it as a compromise to the original amendment which was far more objectionable.

From what I have said, you can readily understand that the deficit financing provisions is not entirely agreeable to me.

However, I am satisfied that this is the best bill we can get. Much sweat, if not blood and tears, have gone into this legislation up to this point. The overriding need for continuing the highway program makes the adoption of this compromise measure absolutely necessary.

THE LOCATION OF THE INTERSTATE SYSTEM INTO AND AROUND METROPOLITAN AREAS

A review of past legislation and reports submitted to the Congress indicates that it has always been the intention from the time the Interstate High-

way System was conceived to extend those highways into and through, as well as around, the principal metropolitan areas and cities. At the same time, it has been a known fact that it was not the intent of the Congress to have the Interstate System solve all of the traffic problems of the cities which are served by the Interstate System.

The National Interregional Highway Committee reported in its Interregional Highway Report of 1944—House Document No. 379, 78th Congress—that—

All facts available to the committee point to the sections of the recommended system within and in the environs of the larger cities and metropolitan areas as at once the most important in traffic service and least adequate in their present state of improvement. These sections included routes around as well as into and through the urban areas. If priority of improvement within the system is determined by either the magnitude of benefits resulting or the urgency of need, it is to these sections that first attention should be accorded.

The report on interregional highways concludes that the interregional system should be 33,920 miles in total length which included 4,470 miles of highway within cities. The total mileage of 33,920 did not include any allowance for circumferential or distributing routes required at the larger cities or auxiliary routes for the distributing or assembling of through traffic to and from the quarters of the city. It was estimated at this time that these additional routes would not exceed 5,000 miles in length for a total system length of about 39,000 miles.

The publishing and wide acceptance of the report of the National Interregional Highway Committee prompted the Congress, in the Highway Act of 1944, to call for the establishment of the Interstate System. This was accomplished in 1947 when the State highway departments, in cooperation with the Bureau of Public Roads and with each other, established the city-to-city routes of the Interstate System which were approved for designation by the Federal Works Administrator. This designation of 37,700 miles of the Interstate System included the portions extending into and through urban areas which was estimated to be about 4,400 miles in length. The difference between the 37,700 miles and the 40,000-mile system authorized, that is, 2,300 miles, was reserved for Interstate System routes into, through, and belts around metropolitan areas.

These additional routes at the urban area were designated in September 1955 and only a portion of the 2,300 miles was located within the urban area. At the time of the preparation of the first estimate of costs for completing the Interstate System, as required under section 108(d) of the 1956 Federal-Aid Highway Act, there were Interstate routes approved for a total length of 38,548 miles. Of this total mileage, 33,980 miles of the Interstate System were located in the rural area and 4,568 miles in the urban area. This accurate measurement of the length of the routes in the urban areas is only slightly above that considered at

the time of the original designation of the system in August 1947.

The President's Advisory Committee on a National Highway Program, in January 1955, submitted a report on "A 10-Year National Highway Program." This report recognized the need for additional Interstate System routes into, through, and around metropolitan areas and allowed \$4 billion for these routes in estimating the cost for completing the Interstate System. This procedure was necessary since the added routes into, through, and around the metropolitan areas had not been designated as yet and a more accurate route-by-route estimate was not available at that time.

After full consideration of the report on "A 10-Year National Highway Program" and considerable other information, the Congress passed the Federal Aid Highway Act of 1946, which recognized the need for providing Interstate System routes into, through, and around urban areas. The intent of the Congress is clearly expressed in section 108(b) of the 1956 Federal Aid Highway Act which states:

For the purpose of expediting the construction, reconstruction, or improvement, inclusive of necessary bridges and tunnels, of the Interstate System, including extensions thereof through urban areas, designated in accordance with the provisions of section 7 of the Federal-Aid Highway Act of 1944 (58 Stat. 338, there is hereby authorized.

This highway act states that it was the intent that local needs to the extent practicable, suitable, and feasible be given equal consideration with the needs of interstate commerce.

When so clearly stated in the Federal Aid Highway Act, the State highway departments and the Bureau of Public Roads would not be carrying out the intent of the act if they did not route the Interstate System through urban areas.

There can be no question that the Interstate System as conceived and designated contemplates extensions into, through, and belts around metropolitan areas. As stated previously, however, this system is not designed or contemplated to solve all of the principal urban arterial highway traffic problems. The 1956 act continued the urban arterial highway program at an accelerated rate and the 1958 act has done likewise. This is the program where the States—sometimes in cooperation with the cities or counties—pay 50 percent of the cost of the work. These are freeways, expressways at grade and major thoroughfares, which become the principal trunkline feeders to the Interstate System located in urban areas. There are a great many miles of them and they represent a vital phase of urban highway construction programs. The Interstate System work is not designed to take the place of these routes. However, they do afford, in addition to their other functions, the proper means for connecting the individual urban arterial highway systems with each other.

If modern freeways such as those constructed on the Interstate System are not provided and arterial streets are re-

quired to accommodate the same traffic volumes, it will be necessary to build two to five times as many arterial streets with the same number of lanes as the freeway which would require two to three times as much right-of-way.

The practice of providing interstate highway routes into and through the metropolitan areas not only provides an integrated Interstate System but serves both the through and local traffic by the construction of a single route. If the interstate highway routes do not penetrate a city but only extend around them, frequently another costly route would have to be constructed into and through the urban area to serve the large portion of the traffic approaching the city that is destined to the central business district. This results in the construction of two routes in place of one. Since both routes might be on one of the Federal-aid systems, the costs to the Government probably would be greater in locating the Interstate System around the metropolitan area instead of extending through the city.

Studies relating to the Interstate System have shown that roughly one-half of the traffic, cost, and revenue from the system will be in the urban areas. Of particular significance is the fact that in 1975 over 7 percent of the total vehicular travel in the United States will be on the urban portion of the Interstate System which represents only 0.1 percent of the total mileage.

Mr. JONES of Alabama. Mr. Chairman, will the gentleman yield?

Mr. SCHERER. I yield to the gentleman.

Mr. JONES of Alabama. Will the gentleman be so kind as to explain what the situation will be with respect to the making of contractual obligations by the States on the ABC road program—that is, the primary, urban, and secondary roads—during those fiscal periods anticipated by this bill?

Mr. SCHERER. I do not have those figures, but I understand that the reduction in ABC programs while not nearly as great as the interstate, they are going to have to suffer somewhat proportionately.

Mr. JONES of Alabama. And is it not true a great number of States have ceased to make contractual commitments for the construction of the secondary road program?

Mr. SCHERER. They have done that as of this moment.

Mr. JONES of Alabama. If this bill were not to be passed, it would do irreparable injury to all the road programs in which the Federal Government participates.

Mr. SCHERER. Not only that, but remember last year because of the recession in order to supply jobs, we accelerated this program by \$1,600 million, now we are decreasing the program below the 1956 level. Look how many man-hours we are going to lose, if we do not act. It is estimated there will be 500 million man-hours in on-site and off-site labor lost, if this Congress does not act. That means a loss of wages of over \$1 billion in the next 4 years. Then

you will remember, you gentlemen on the committee, that in 1956, the thing we worried about was whether or not the contracting industry, the material men and the State highway departments and the engineering firms of this country could actually handle this mammoth program, the largest public works program in the history of the United States. We asked these companies and begged them to expand their facilities and to spend money and to buy equipment on borrowed money. They have done this and they have kept the program up to schedule. If this program is cut now, the construction this year and next year will be cut in half, if we do not act. Then what happens to those concerns? What happens to that industry that has expanded on the promise of the Congress that this program would continue?

Mr. FALLON. Mr. Chairman, will the gentleman yield?

Mr. SCHERER. I yield.

Mr. FALLON. Is it not true that the testimony before our committee showed the bill we are considering now is the very minimum to keep this program on schedule?

Mr. SCHERER. The very minimum. The construction program, the actual construction program under this bill is going to be cut, in my opinion, 30 percent because of the increased cost of this program, which I do not have the time to discuss. Therefore, you are not going to build so many miles and so your program, the actual construction program—not your dollar program—but the construction program is going to be cut by about 30 percent even under this bill. I wish I had the time to tell you why we are in this box. If I can get some time later, I would like to tell why we are caught in this financial box and what caused it. Let us not blame the Bureau of the Public Roads or the State highway officials because there have been some mistakes in construction or that there is something wrong with the standards. Let us not do that.

Mr. FALLON. Mr. Chairman, I yield 10 minutes to the gentleman from Arkansas [Mr. MILLS], the chairman of the Committee on Ways and Means.

Mr. MILLS. Mr. Chairman, let me assure you that the portion of this bill which was worked out in the Committee on Ways and Means; namely, title II, effecting the financing of the program and the highway trust fund was agreed to and resolved in the Committee on Ways and Means with what might be described as great reluctance. The membership of the Committee on Ways and Means, I presume, and I think I am correct in such presumption, is, perhaps, as acutely aware of the present burdens of taxation that are being borne by the American people, not only the motorists, but all other of our citizens, as any Members of the House could possibly be. It is never easy to raise a tax, particularly at a time when the tax burdens on all our citizens are so heavy.

On the other hand, Mr. Chairman, the committee was faced with the cold, hard fact that, unless some action was taken to provide additional revenues to the

highway trust fund a moratorium would have to be declared not only on the interstate program but also on the ABC programs which of course include the farm-to-market roads, the primary roads, and the urban extensions. Actually, two problems were faced by the Committee on Ways and Means: First, and of most immediate importance, there is the short run problem of the deficit in the highway trust fund and the fact that, unless additional revenues could be foreseen by fiscal year 1961, absolutely no further apportionments could be made on the Interstate System during this calendar year; and second, there is a long-term problem of some \$13 billion deficit in the trust fund which will occur during the life of the fund. Obviously, a solution had to be reached on the immediate problem unless we were to permit the Federal-aid highway programs to terminate. It was with the short-run problem, therefore, that the Committee on Ways and Means primarily concerned itself at this time. At the same time, however, you may be assured that we were all quite cognizant of the long-run problem and the fact that the solution which we have presented to the House of the short-term financing problem leaves the longrun problem unsolved. In other words, I will just say flatly to you here today, as I said before the Rules Committee yesterday, that members of the Committee on Ways and Means are well aware of the fact that in the early part of 1961 we will again have to face up to a very serious matter of providing additional revenues for the highway trust fund. Members of this House should understand therefore that the financing provisions contained in title II of the legislation before the House today presents an interim solution to the deficit in the highway trust fund. It does not purport in any way to provide the revenue or solve the problems over the long-term period.

The provisions of title II are quite simple and I believe are understood by Members of the House already in view of the considerable discussion which has taken place over this matter. However, I will review those provisions briefly and indicate the revenue which will be produced.

Title II provides an additional 1-cent tax on gasoline, diesel fuel, and special motor fuels for the 22-month period beginning September 1, 1959, and ending June 30, 1961. For this period, this increase will raise gasoline and related fuel taxes to 4 cents a gallon.

Additionally, title II provides for the allocation to the highway-trust fund of 5-percentage points of the manufacturers excise tax on passenger cars and of 5-percentage points of the tax on auto parts and accessories. This allocation will be made for the 3-year period beginning on July 1, 1961, and ending on June 30, 1964.

The gasoline and related fuel taxes are estimated to increase revenues of the trust fund by the following figures: \$383 million in fiscal year 1960, \$577 million in fiscal year 1961, \$75 million in fiscal year 1962; total, \$1,035 billion.

The passenger car and auto parts taxes are expected to produce the following revenues: \$802 million in fiscal year 1962, \$831 million in fiscal year 1963, \$854 million in fiscal year 1964; total, \$2,487 billion.

If Members of the House will refer to page 20 of the report, you will see a detailed breakdown of the highway trust fund revenues actual and estimated from fiscal year 1957 through 1973, both under present law and under present law plus the provisions of this bill.

If Members of the House will also refer to table IV on page 22 of the committee report, you can quite readily see the magnitude of the immediate problem faced by the Committee on Ways and Means with regard to the deficit in the highway trust fund. That table shows the estimated status of the fund under existing legislation. If no change is made in existing law, it can be seen that at the end of fiscal year 1960, that is, the current fiscal year, there would not only be a deficit of \$490 million in the trust fund, but also it would be impossible to make any apportionments during this calendar year for the interstate system for fiscal year 1961. Members of this House are aware that there is a 2-year lag between the apportionment and the actual expenditure. Also, that table shows clearly that by the end of fiscal year 1962, without additional legislation, there will be a cumulative deficit of \$980 million in the trust fund and that in the calendar year 1960, only \$500 million can be apportioned, for fiscal year 1962, for the interstate system. In other words, the problem is real, it is immediate, and it can be solved in only a limited number of ways.

I may say to the Members of this House that the Committee on Ways and Means explored, I firmly believe, every available alternative for the answer to this immediate deficit in the highway trust fund. We considered the recommendation of the President for an increase in the Federal gasoline tax of 1½ cents to extend through fiscal year 1964; we considered the proposals for a 1-cent increase in the gasoline tax for a period of 12 months, combined with a transfer of certain of the excises from the general fund to the highway trust fund; we considered an increase of one-half cent in the gasoline tax, combined with a greater transfer of revenues to the highway trust fund from the general fund; we considered the issuance of both short-term and long-term revenue bonds in varying amounts and under varying conditions; we considered the possibility of transferring money from the general fund to the highway trust fund, combined with a suspension of the Byrd amendment; and we considered various combinations of these different approaches.

Important in all of our considerations are certain facts of life. I refer particularly to the budgetary situation for fiscal year 1960 and fiscal year 1961 and subsequent years. We were advised by Mr. Stans, the Director of the Bureau of the Budget, that there is a prospect of expenditures of at least \$79 billion for fiscal year 1960 and that, in his opinion, it

was questionable that revenues would exceed \$78 billion. If this should happen, wholly aside from the situation in the highway trust fund, instead of a balanced budget, there would be a deficit of approximately \$1 billion, and, of course, any transfer of moneys from the general fund to the highway trust fund would simply increase this deficit and add to the forces of inflation.

We were told by Mr. Stans that for the fiscal year 1961 it is entirely possible that expenditures could exceed \$82 billion and, of course, we do not now know what the revenues will be for fiscal year 1961.

At the present moment, we do not know what effect the steel strike and the slowdown which has already occurred in the highway program will have on revenues for the current fiscal year.

It was this anticipated budgetary situation that constituted a rock upon which a number of possible alternatives which were considered by the committee foundered. It is clear that the transfer of moneys from the general fund to the highway trust fund either during fiscal year 1960 or 1961 would only further increase the budgetary problems which we already face. Under these circumstances, our committee considered it unsound to provide for any transfer of funds prior to fiscal year 1962. We did conclude it feasible to make the prospective transfer of part of the auto excises and parts and accessories excises beginning in fiscal year 1962, since that is sufficiently far ahead that plans can be made to take it into account and plans can be made, if necessary, to adjust the situation as the future may require.

Then we decided very reluctantly that it was more responsible for us if we were to continue the road program as the public seems to desire and as I personally would like to see it go on, we would have to do contrary to what all of us wanted to do, that is, provide some increase in the gasoline tax, because we could get some money through that vehicle for the trust fund and not disturb the situation in the general fund. We are providing here for less than 22 months an increase of 1 cent a gallon in the gasoline tax.

I am concerned about an interruption in this program as long as we are uncertain about the duration of the steel strike, as long as we are uncertain about other factors that exist today that are affecting employment. If we do discontinue this program, if we do create employment in this area, do any of us have any assurance we would even get the \$78 million of revenue that we think we might get this year or even that figure of revenue for the next fiscal year? Or do we think we would not be running the risk of downturn in our activity to the extent of creating more unemployment than maybe we had before?

So I urge the Members, therefore, to accept this proposition as the membership of the Committee on Ways and Means accepted it. It is a choice between what I consider to be two evils, one of having to increase taxes, and the

other in the process of not doing so of discontinuing the road program at the moment and perhaps running into consequences as a result of it that might cost us far more than what is involved in this temporary increase for 22 months.

In conclusion, Mr. Chairman, as I said at the outset of my remarks, members of our committee were exceedingly reluctant to come to the House with the recommendation for an increase in gasoline taxes. However, we must face up to reality and recognize that if we are to have a continuation of this highway program on the scale which evidently is desired by the general public and by the Members, then, we must produce the revenues to pay for it. This is not the kind of problem that will go away by looking the other way. We cannot have our highways and not pay for them. Title II of the bill now before the Committee faces up to this problem and provides the revenues to meet the immediate deficit in the highway trust fund and title II will permit a continuation of the program which the public evidently wants and at a rate which the public evidently desires it to continue.

Let me assure the House that as far as the program and this bill is concerned, it is contemplated, it is intended, it is set forth clearly, that this tax is a temporary tax.

Mr. HAYS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Ohio.

Mr. HAYS. The gentleman made a point and a thought occurs to me. If I am wrong, I wish he would correct me. He said that now the budget is going to exceed the estimates by \$2 billion.

Mr. MILLS. No. I said on the basis of the information given us by Director Stans, it looked like we would spend a billion dollars more.

Mr. HAYS. The gentleman said he was given the information in executive session. Either the budget was not honest in the beginning or they are giving you figures in executive session they did not give us.

Mr. MILLS. Actually that could be. The difference can be explained as it was explained in executive session.

Mr. ROOSEVELT. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from California.

Mr. ROOSEVELT. Speaking as a member of the Committee on Small Business, I would like to congratulate the gentleman for including in this bill the provision treating wholesale distributors as producers for the purposes of the gasoline tax. This will be a great help to those independent wholesale distributors and will put them on a par with the large oil company competitors.

Mr. MILLS. The gentleman reaches the same conclusion that we did in the Committee on Ways and Means, that this is in the interest of small business.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 15 minutes to the gentleman from Pennsylvania [Mr. SIMPSON].

(Mr. SIMPSON of Pennsylvania asked and was given permission to revise and extend his remarks.)

Mr. SIMPSON of Pennsylvania. Mr. Chairman, the sum and substance of the Federal-Aid Highway Act of 1959, H.R. 8678, are that we propose to build less highway mileage with more money—money obtained by higher taxes and the diversion of general fund revenues. This result arises from the fact that this legislation requires a slowdown in highway construction, declares the intent of Congress to reimburse States for existing highway systems included within the Interstate System, raises approximately \$1 billion in additional taxes through the temporary imposition of a 1-cent increase in motor fuels taxes, and diverts from the general funds of the Treasury approximately \$2½ billion for trust fund purposes.

Mr. Chairman, it will be my purpose today to confine my remarks essentially to title II of the bill which is concerned with the financing aspects of the Federal-aid highway program. Title II relates to subject matter that is properly within the jurisdiction of the Committee on Ways and Means. It is included in this bill after having been developed by the Committee on Ways and Means in terms of policy decisions. It has been included in this bill at the request of the membership of the Committee on Ways and Means which has primary jurisdiction over this subject matter. Its inclusion in this bill is intended to facilitate floor consideration of a single bill providing for the expenditure and financing sides of Federal participation in highway development.

Mr. Chairman, I am entirely in accord with the basic objectives of the current highway program which might be succinctly summarized to be the development of an adequate highway system for our Nation to enhance our economic growth, to provide greater highway safety, to improve our military preparedness, and to enrich the recreational and educational opportunities available to our citizens. These meritorious objectives must be achieved at minimum cost and within the framework of sound financing arrangements. I do not believe the statement can be challenged that the American people want an improved highway system and are responsibly willing to pay the cost of attaining that system if they have assurance that they are getting their money's worth of highways for their tax dollar.

There are today approximately 70 million motor vehicles in operation driven an annual distance of 700 billion vehicle miles traveled. Ten years from now it is estimated that there will be nearly 100 million motor vehicles registered which will travel in excess of 1 trillion vehicle miles. Our existing highway system is inadequate to carry properly that traffic volume.

It was in recognition of the inadequacy of the then existing highway network that the Republican 83d Congress directed the Secretary of Commerce to make a comprehensive study of our highway needs in the Federal-aid Highway Act of 1954. President Eisenhower appointed an Advisory Committee on a National Highway Program which submitted its report in January 1955. In

February 1955 the President transmitted to the Congress a message urging the prompt enactment of legislation designed to launch an accelerated highway program. After some political machinations and after a delay of 16 months an augmented Federal-aid highway program was finally enacted on June 29, 1956. This legislation had bipartisan support and, as advocated by spokesmen for the administration appearing before the committees of Congress in 1956, the program was established on what generally conformed to a pay-as-you-go basis.

Unfortunately, the fiscal solvency of the highway trust fund was not to be preserved for long. In 1958 the "depressionmongers" singing a gleeful ditty of "bust and boondoggle" proceeded to spend the Nation into a \$13 billion deficit on programs that did not become public law until well after the start of an upturn in the economy. Included in this program of "spending ourselves rich" was a plan to boost spending for the road program by \$1.8 billion without any provision for added financing. At the time this legislation was under consideration in the Congress a distinguished Member of the other body said with respect to the proposed highway acceleration program:

It would destroy the pay-as-you-go policy for Federal highway aid established by the Highway Act of 1956, which set up the road trust fund to assure that special taxes on highway users would be used for highway construction.

Mr. Chairman, I opposed that legislation in 1958 because of my very genuine concern over what its impact would be on the solvency of the highway trust fund and because of my conviction that highway money cannot be wisely spent on the basis of an overnight decision to build a road. It was the action of the Congress last year in voting that speed-up that has created the short-run financing problems confronting the highway trust fund today. Consistent with my of last year against unwise accelerated highway construction I will today vote against what I regard as unwise highway financing augmentation.

Mr. Chairman, for a number of reasons I find the method of highway financing that would be provided by title II of H.R. 8678 to be deficient. These reasons are summarized in the separate views which my very able and distinguished committee colleague the gentleman from New York [Mr. Bosch] and I filed in connection with this legislation. Those views are set forth beginning on page 28 of the report of the Committee on Public Works accompanying H.R. 8678.

I will not take the time of the House to restate or amplify on those views. I will merely point out to the House these facts: Title II does not provide for pay-as-you-go highway financing. It makes a token gesture in this direction by providing approximately 28 percent of the \$3.5 billion additional revenues raised for the highway trust fund under the bill by current financing. The remaining 72 percent is raised by the commitment made today to divert from the general funds of the Treasury approximately

\$2.5 billion in fiscal years 1962 through 1964 for highway financing. Under no reasonable definition of pay-as-you-go can such a proposal be termed current financing. It is deficit financing pure and simple.

I do not like tax increases. I believe my record is clear on that. However, deficit financing I like even less. I am fearful that that is the course to which we are committed under this bill. I submit that the proper solution to this problem is greater utilization of highway user taxes for highway development predicated on the important condition that other Federal spending be reduced at least by the amount of any highway revenues that may be diverted from the general revenues. I regret to say that I can now foresee no prospect for lessened Federal spending in other areas so that the diversion of funds without a commensurate reduction in other spending tends to lead us to a resulting budgetary deficit.

I am also convinced, Mr. Chairman, that if the House is unwilling to deal realistically with this important matter of proper highway financing today, we have no reason for assurance that the House will be any more willing to responsibly face this issue in the future.

It is appropriate that I should state for the record in a factual manner without undertaking to introduce partisan considerations that the Republican members of the Committee on Ways and Means conscientiously and diligently worked to find a responsible solution to the problem of keeping our highway program in current progress. The minority members of the committee made motion after motion in support of various financing alternatives but we were unsuccessful in obtaining a majority vote. At one point in our committee deliberations on the subject, the majority had approved a proposal involving the issuance of highway bonds, the earmarking of general fund revenues, and a stretchout of the program. Upon reflection the committee subsequently marched back down the hill and wisely reconsidered its previous unwise decision. Finally the compromise solution contained in title II was approved by the committee upon the motion of my distinguished committee colleague, the gentleman from Wisconsin [Mr. BYRNES].

I believe it can properly be said that Mr. Byrnes' sponsorship of this motion represented a last ditch bid to keep the highway program in progress through a compromise that could receive the support of a majority on the committee. There is no member of the committee who worked with greater resourcefulness and greater diligence on this matter than did the gentleman from Wisconsin [Mr. BYRNES]. He was resolute in his endeavors to maintain the program for the national good and he was conscientious in his attempts to finance the program within the framework of fiscal responsibility. In reporting on the Republican endeavors in providing a solution to this matter, it is significant to note that while the Republican membership of the committee comprises only 40 percent of the total committee member-

ship, the Republican membership cast 61 percent of the total affirmative votes for proposals providing a solution to the highway financing program.

My concern with title II is the same concern expressed by President Eisenhower and the same concern shared by thinking Americans everywhere that by diverting general fund revenues without a foreseeable budgetary surplus, we will almost inevitably lead the Nation into deficit financing. The President of the United States has repeatedly argued against such an expedient. The most recent instance in which he reiterated his position on this matter was his message to the Congress of August 25, 1959, in which he said:

I must express again my objection to proposals that would, in the absence of foreseeable budget surpluses, divert receipts from the general fund of the Treasury that are collected from various excise taxes on automobiles. The transfer of these receipts to the highway trust fund would only shift the fiscal problem from the highway trust fund to the general fund, which is already in precarious balance. I should also make clear that I do not favor proposals that would finance anticipated deficits in the highway trust fund over the next several years by the issuance of bonds.

The majority-approved proposal, on its face, falls short of meeting the criteria of "pay as you go" and of avoiding the diversion of general-fund revenues for highway purposes.

The Secretary of the Treasury also warned of the risks involved in deficit financing, diversion of moneys from the general fund, and special bond financing. The Secretary stressed the importance to this country of living within our means. We must forthrightly realize that by providing for the diversion of general-fund revenues today without providing for the reduction in budgetary expenditures necessary to offset that reduction in general funds we are making a prejudgment of future fiscal policies. We are saying that we either are willing to have deficit financing or are making a decision with respect to the future priority of Government programs in saying that we will need to spend less on defense, social programs, or other Government activities.

We are in a period of the greatest prosperity in our history; the financing proposal before us today would say that even under those circumstances we will still resort to deficit financing as a means of paying for the highway program.

In conclusion, Mr. Chairman, I would say that we are dealing less than adequately with the serious problems I have alluded to in my remarks. I warn my colleagues that under title II we are providing only an unsatisfactory temporary expedient as a solution to the short-run problems confronting the highway trust fund. It is inevitable that we will have this issue again before us in the near future, and at that time we must deal realistically with the fiscal affairs of our Nation in providing a longrun solution as to how we will finance national highway development.

Mr. Chairman, I do not like tax increases. I do want new highways con-

structed. I do want them paid for as we go. I recognize that what we have done here is simply deferring the day when the Committee on Ways and Means must bring before this body a new tax proposal if we are to pay the cost involved in this trust fund. We should do it now. We should not wait. We should recognize that next year the expenditures of the Government are going to be as great as they are this year. We should not deliberately create a deficit by authorizing in future years the taking of money out of the general Treasury for the expenses of building our highway program today.

Mr. FALLON. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. CLARK].

Mr. CLARK. Mr. Chairman, I take this time to give you the rundown on this highway capitulation we in Congress are making to the administration and budget. We in Congress have an obligation and duty to our constituency and our States we represent. We should not encroach upon the States, the only source of revenue that is available to the States, to meet their obligations. Congress must keep in mind the fact that substantial amounts of matching funds must be raised by the States through special highway user taxes—namely, a gasoline tax.

The proposal of the budget and administration that the highway users be saddled with additional taxes, or the highway program be cut back, is unfair. This proposal overlooks completely the history of the Federal-aid highway legislation and the fact that the highway users are still paying more than \$1½ billion per year into the general fund from levies on new automobiles, trucks, buses and trailers, parts and accessories and lubricating oil, over and above the special taxes earmarked for the highway trust fund.

At the time that the Federal-Aid Highway Act of 1956 was adopted the Federal Government was collecting from highway users, through taxes on gasoline, diesel and other special fuels, new vehicles, tires, tubes, lubricating oil, and parts and accessories, almost \$3 billion per year, and was spending on highways less than \$1 billion per year. Thus the highway users were paying into the general fund approximately \$2 billion per year more than was being authorized for highways.

Despite these facts and, in response to the administration's arguments, that it could not afford to spend any more on highways, than was already being devoted to highways from taxes then in effect, the Congress increased the taxes on fuel, tires and tubes and new trucks, buses and trailers. In addition, it levied new taxes on tread rubber—used in recapping tires—and on trucks weighing more than 26,000 pounds. A highway trust fund was created for which these new taxes, and part of the automotive taxes already in effect were earmarked. This action still left revenues from taxes on highway users amounting to more than \$1½ billion per year flowing into the general fund.

Even this was not enough, however. Under the Federal aid program there is a time lag, between the authorization of funds for highways, and the appropriation of money to pay for expenditures, made in connection with the authorizations. Thus at the time of adoption of the 1956 act there were outstanding \$1,958 million in Federal highway funds authorized by the 1954 and prior Federal Aid Highway Acts, for which funds had not been appropriated. These authorizations were made liabilities of the highway trust fund thus relieving the general fund of obligations for them and saddling them upon the trust fund.

The trust fund as originally conceived, contemplated a balanced program over a stated number of years, with trust fund surpluses in the early years, to be made up in the middle years by advances from the general fund. The pay-as-you-go principle adopted in the final legislation changed this to a one-way concept, with trust fund surpluses available for loan to the general fund, but with the trust fund unable to borrow from the general fund.

Because the new and increased taxes brought revenues into the highway trust fund at a faster rate than expenditures, and because the previously authorized funds were made obligations of the trust fund, the Federal budget and debt situation were eased during the fiscal years 1957, 1958, and 1959. In fiscal 1957, for example, the highway trust fund had revenues of \$1,482 million, and expenditures of \$966 million. The general fund, of course, had no expenditures for the Federal-aid highways. Thus, the general fund was able to borrow from the trust fund, making it unnecessary to go to the public for this amount in needed funds. In fiscal 1958 trust fund income rose to \$2.1 billion and expenditures also rose to \$1.6 billion. The trust fund balance at the close of fiscal 1958 was \$1,048 million, which was loaned to the general fund. In fiscal 1959, ended June 30, 1959, trust fund income was \$2,185 million while expenditures increased to \$2,709 million. This cut into the surplus accumulated in the first 2 years and left the fund with a balance of only \$524 million, which was loaned, I repeat loaned to the general fund.

It is now anticipated that expenditures in fiscal 1960, the current year, will exceed income by about \$1 billion, wiping out the balance and creating a deficit of about \$500 million by the close of fiscal 1960. Thus, after about 3½ years of surpluses, which were loaned to the general fund, the trust fund will need additional money. The general fund could take from the trust fund, but now, will not put the money back.

This means that the administration is looking to the Nation's highway users to pay the entire cost of the highway program through special taxes and through the same taxes to keep the Federal budget in balance. The inequity of this hardly needs discussion.

I would like permission to put in a table showing the amount of highway-user tax going into the general fund. All that need be done is to follow the principles of simple justice and equity and give the highway user a better re-

turn on his tax dollar than he is getting at the present time.

If we, those in opposition to this gas tax bill, could offer a substitute as we wanted to do, I am sure we could get a bill through to keep the highway program going at top speed, without imposing a single penny more of highway-user taxes.

Highway-user tax receipts going into the general fund for fiscal year 1958

Tax on new automobiles (10 percent)-----	\$1, 170, 000, 000
Tax on lubricating oil (6 cents per gallon)-----	43, 000, 000
Tax on parts and accessories (8 percent)-----	167, 000, 000
Tax on trucks, trailers, and buses (5 percent)-----	103, 000, 000
Total-----	1, 483, 000, 000

Mr. SCHERER. Mr. Chairman, will the gentleman yield?

Mr. CLARK. I yield.

Mr. SCHERER. The gentleman is aware of the fact that in 1960 and 1961, we are going to have these two reports available to us, which may correct some of the inequities which the gentleman spoke of, namely, that they might find there are other beneficiaries of this highway program other than the users who should help to pay these taxes.

Mr. CLARK. I agree with the gentleman. I want to add, as of this year, 1958, there was spent and put into the general fund for budgetary purposes \$1,483,000,000.

Mr. MACK of Washington. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, in the years immediately preceding January 1953, the Federal Government was collecting \$850 million a year from gasoline taxes and was spending about \$550 million of that \$850 million on the building of highways. The Federal Government was diverting \$300 million in each year immediately prior to 1953 to other purposes than the construction of highways including the foreign aid program. When General Eisenhower became President in January 1953 he recommended to the Congress that all gasoline taxes should be expended for the building of highways. In 1954, the McGregor bill was enacted by the Congress which provided that thereafter \$850 million a year, approximately the amount of the gasoline tax, instead of \$550 million, should be expended for highway construction. At that time, there was in progress what was known as the Clay Commission report. The Clay Commission report recommended an expanded highway program under which about 40,000 miles of Interstate Highway System would be built to four-lane standards with no cross traffic so that motorists could ride practically from the Canadian border in northern Maine to the Mexican border south of San Diego, a distance of 4,000 miles over divided four-lane highways. Other four-lane divided highways would run east and west, north and south across the Nation.

It was claimed by the Highway Safety Council that this system of highways when completed would reduce traffic deaths by 5,000 a year and reduce the

number of persons injured in traffic accidents by 200,000 annually. Also, the expanded system of roads would provide new and additional jobs for 200,000 construction workers and for other workers in road material producing industries and for workers in road machinery producing factories.

Some have called that the Eisenhower expanded highway program. Some called it the Eisenhower-Clay expanded highway program. More properly, it should be called the Eisenhower-Clay-Fallon expanded highway program for the gentleman from Maryland [Mr. FALLON] did more than anyone in the Congress to bring about this great highway building program which is the greatest and grandest public works program ever undertaken in all the history of mankind.

That program has now come into financial difficulties.

The highway trust fund raised by gasoline, tire, and truck taxes to pay the cost of this program is running out of money. The Congress is mainly responsible for the fact that this fund is short of money.

First, the Congress added 1,000 additional miles to the system but made no provision for taxes to raise the money to pay the cost of constructing highways on this expanded mileage.

Then, secondly, Congress last year in a time of depression jitters on the claim that Federal works programs were needed to provide jobs took \$1,200 million out of this trust fund and turned this extra money over to the States. Congress made no provision to replace this money from any tax source. As a result, the trust fund dwindled in size. Now there is not enough money in this fund to keep the roads program on schedule.

Also, costs of construction have increased about 12 percent, just as everything else has gone up in price. The reason for this inflation is mainly the extravagant spending, budget-busting policies of the Congress.

The trust fund is short of money. Either some way of replenishing this fund must be found or the present expanded highway program must be greatly reduced starting immediately and extending over the next several years. This will mean tens of thousands of workers will lose their jobs. Also, the time when the motorist will have needed roads will be delayed by several years. I do not want to see that calamity happen, and I am sure most of the Members of Congress do not.

The Ways and Means Committee and the Public Works Committee have worked out what they believe in their best judgment is a program that will do the job and continue this highway construction at about its present level. I am not pleased with every provision in this bill. I am somewhat disturbed by this provision that declares it to be the intent and policy of Congress to reimburse States for toll roads and freeways on the Interstate System.

Mr. FALLON. Mr. Chairman, I yield such time as she may desire to the gentlewoman from Idaho [Mrs. Frost].

Mrs. PFOST. Mr. Chairman, I am wholeheartedly in favor of legislation to keep the interstate highway program rolling ahead at full speed. There is no question of its vital importance to the entire Nation. The mail from my own State of Idaho attests to the tremendous damage that would result from any slowdown in highway Federal aid.

I joined with nine other Congressmen however, in filing supplemental views opposing the gas tax increase insisted upon by the administration. I felt as the others did that the additional tax was not necessary to continue the highway construction program.

The Treasury is now collecting more than \$1.5 billion annually in special highway user taxes on new vehicles, parts, and accessories that is not going into the highway trust fund. A portion of this money could be and should be transferred to the trust fund as soon as possible to continue the highway construction program on schedule.

There is no doubt that the administration's underlying purpose for the increase in gasoline tax is to provide a surplus in the general budget at the expense of the highway user. It is taxation for expediency only. In fact, the administration wants to impose an additional 1½ cents gasoline tax—50 percent more than that provided in this bill—and they want it for 5 years.

The bill before us calls for a 22-month period with a 1-cent increase. Under the administration proposal, motorists and highway users would bear an additional and staggering burden of more than \$3 billion over the long period of 5 years—a completely unnecessary load upon the public using the highways of the Nation.

There are fairer and more equitable methods of increasing the general revenue than by imposing an additional gasoline tax. Without justice or equity to support it, the insistence upon this increased gas tax will:

First. Impose an unfair and unnecessary additional burden on the American motorist.

Second. Raise the motor freight rates in practically all sections of the country.

Third. Create additional problems for the States in their search for tax revenues.

Fourth. Continue for at least 2 years, and perhaps indefinitely, the unfair diversion of highway user taxes into the general fund.

As one alternative to raising the necessary funds to finance the highway program, I suggest eliminating the 4-percent tax credit and the \$50 deduction on stock dividends. This would bring in an estimated \$330 million annually.

Frankly, I see no valid reason why people who own stock and get dividends should receive preferred treatment in their income tax returns. Such a provision violates the principle of equal justice for all.

Another alternative to raise revenue is to eliminate the 27½-percent oil and gas depletion allowance in income tax. This would bring in nearly \$1 billion a year. Such an allowance is obviously favoritism and in the same category with tax credits and deductions on stock

dividends. It is a loophole which should be plugged in the interest of fair treatment for all our citizens.

These two alternatives would raise nearly \$1.5 billion a year, as compared with the \$1.035 billion to be received from the 1-cent gas tax increase over a 22-month period.

Motorists presently are digging into their pockets for nearly 10 cents in Federal and States taxes for every gallon of gas they buy. With gasoline retailing for an average of 30 cents a gallon, this means you pay nearly 30 percent in taxes. It is an incredible proportion, and a 1-cent tax increase will make this proportion even more fantastic.

Obviously, motor freight carriers are not going to absorb the increase. They will increase freight rates, and I can assure you that this will create a very real problem in my State where so many of our products are transported by truck over long distances. Higher freight rates could easily mean the difference between profit and loss for many of our people.

The administration's proposal to increase the gas tax is an iniquitous and totally unjustified move that will force the Nation's highway users not only to pay the entire cost of the Federal highway program but to provide a probable surplus for the general budget as well.

I am reluctantly voting for this bill, however, because I am fully aware of the severe economic impact of any slowdown in the highway program. I realize, too, the need to modernize our highway system is of paramount importance. But I hope the able members of the Ways and Means Committee will study not only the alternatives I have suggested above, but others which are readily available. In doing so, they can replace the increased gas tax as soon as possible with a more equitable means of financing this gigantic program.

Mr. FALLON. Mr. Chairman, I yield such time as he may desire to the gentleman from Missouri [Mr. CARNAHAN].

Mr. CARNAHAN. Mr. Chairman, I wish to commend the tireless efforts of my colleagues on the Committees on Public Works and Ways and Means for bringing to the floor of the House before adjournment of this session of Congress a proposal to solve the highway financing problem. Legislation is urgently needed to provide for a continuing uninterrupted highway program.

The Missouri State Highway Commission has discontinued receiving bids for highway construction because of the anticipated delay in Federal reimbursement. The need today for an adequate continuing stabilized highway construction program is more critical than it was when Congress passed the 1956 Federal Highway Act or when it continued its approval of the highway program with the expanded 1958 Federal Highway Act. The contractors in the Eighth Congressional District of Missouri inform me that the road letting scheduled for July 30 was postponed indefinitely. A letter I received from one contractor in my district, Mr. Burl C. Ellerman of Eminence, Mo., is representative of the alarms being sounded. He wrote: "We are forced to wonder if the Congress, in the face of strikes now in program,

with resultant unemployment, is fully aware of the terrific impact this situation could, and in our opinion will, deal the national economy. As the situation now stands, we will together with hundreds of other contractors engaged in road construction, be forced to suspend operations altogether due to completion of projects now under construction within the next 2 or 3 weeks; having depended on the July 30 letting for new contracts."

While many of us may feel some reluctance about the bill before us for consideration today, I am concerned that if no legislation passes the Congress in this session, the Federal Government will be placed in the position of delaying payment on current obligations, of causing an immediate moratorium, and a subsequent curtailment on interstate apportionments. It is essential that some bill dealing with this problem be approved to keep the Federal-aid highway program in operation.

The 1-cent increase in Federal gasoline tax which I reluctantly go along with, as provided in H.R. 8678 is a temporary tax applying only for the period from September 1, 1959, to June 30, 1961. Assurance is given that the additional tax will not apply in the case of gasoline used for certain nonhighway purposes or by local transit systems, and also will not apply in the case of gasoline used on the farm for farming purposes. \$383 million is expected to be derived from these motor fuel taxes in the 10 months these taxes will be effective in the fiscal year 1960, and \$577 million is expected to be derived in the full 12 months in which they are to be effective in the fiscal year 1961. Under this bill, the interstate highway program can be continued approximately at its present level.

Increase in any tax is not palatable to any of us but launching an important necessary highway program and then cutting it back is a breach of faith that will definitely have an adverse effect on the economic welfare of the State of Missouri as well as the Nation as a whole. I support this bill and urge that it be passed.

Mr. FALLON. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. KLUCZYNSKI].

Mr. JONES of Alabama. Mr. Chairman, will the gentleman yield for a consent request?

Mr. KLUCZYNSKI. I yield.

Mr. JONES of Alabama. Mr. Chairman, I ask unanimous consent to extend my remarks following those of the distinguished gentleman from Illinois [Mr. KLUCZYNSKI].

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. BROWN of Missouri. Mr. Chairman, will the gentleman yield for a consent request?

Mr. KLUCZYNSKI. I yield to the gentleman from Missouri.

Mr. BROWN of Missouri. Mr. Chairman, I ask unanimous consent to extend my remarks at the end of the statement by the gentleman from Illinois.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. CASEY. Mr. Chairman, will the gentleman yield for a consent request?

Mr. KLUCZYNSKI. I yield.

Mr. CASEY. Mr. Chairman, I ask unanimous consent to extend my remarks at the end of the statement by the gentleman from Illinois.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. OLIVER. Mr. Chairman, will the gentleman yield for a consent request?

Mr. KLUCZYNSKI. I yield.

Mr. OLIVER. Mr. Chairman, I ask unanimous consent to extend my remarks at the end of the statement by the gentleman from Illinois.

The CHAIRMAN. Is there objection to the request of the gentleman from Maine?

There was no objection.

Mr. KLUCZYNSKI. Mr. Chairman, I rise reluctantly in support of H.R. 8678.

As a member of the Roads Subcommittee of the Committee on Public Works of the House, I have followed with deep interest the development of the Federal road program over the years and particularly since the enactment of the Federal-Aid Highway Act of 1956 which got underway the biggest public works program in the history of this country. I am aware of the many problems involved in this program and particularly the one that faces this Congress today which is the question of taking care of the deficit now existing in the highway trust fund so that the program can be kept on an even keel through the emergency fiscal period now facing us.

In 1961 when a new estimate of cost is received by the Congress and the important cost allocation study is also before us we can then take another long, sober look at the entire highway program both from a construction and financial angle. However, we must solve this financial problem that faces us today.

I have been consistently opposed to any increase in the gasoline tax and I had fervently hoped that some other solution could be reached to take care of the financial crisis existing in the trust fund but as much as I regret the fact I think the bill, H.R. 8678, that is before us today is probably the only means available to continue this program.

I am well aware of the extensive hearings held by our Committee and the Ways and Means Committee on this problem and I know that this bill now on the floor of this House represents the results of many months of arduous and difficult work by both committees.

There are many divergent views on the subject as to how this financial problem should be solved. This bill is frankly a compromise and as such I am certain no one is too happy with it, including myself. But we must have a highway program. We have made that commitment to the American people and we must continue it and on that basis I support this legislation.

I would be remiss in my duty and in my own feelings as a friend if I did not at this time take the opportunity to pay tribute to a man who has not only been a personal friend of mine but a devoted and loyal chairman. He is the man who is chiefly responsible for the fact that this legislation is before us today; a man who puts his personal beliefs second to the welfare of the country and the continuation of this vital highway program. I am proud to stand here today in the well of this House and salute a good friend, a fine Congressman, and a great chairman and I want every Member of this body to know that there is no finer chairman in this Congress nor is there anyone who has done more for the highway program than my good friend, the distinguished chairman of the Committee on Public Works, the gentleman from New York, the Honorable CHARLES A. BUCKLEY.

Mr. BLATNIK. Mr. Chairman, will the gentleman yield?

Mr. KLUCZYNSKI. I yield to the gentleman from Minnesota.

Mr. BLATNIK. I want to certainly associate myself completely with the comments made regarding our distinguished chairman of the House Public Works Committee, and I would like the RECORD to show that after weeks of negotiation and discussion on this very controversial financing proposition, were it not for the chairman of the committee, the gentleman from New York [Mr. BUCKLEY], the Public Works Committee would not have agreed to a compromise; and it was by one vote that that compromise was turned down in the Committee on Ways and Means. We came that close to breaking the deadlock.

In discussions with the gentleman from Maryland and our able Roads Subcommittee chairman, Mr. FALLON, and with the distinguished chairman of the Committee on Ways and Means, the gentleman from Arkansas [Mr. MILLS] it was through the initiative and the laying aside of his own serious reservations that the gentleman from New York [Mr. BUCKLEY] made it possible to break the deadlock and provide for continuing the program, although it includes a finance section that is not very satisfactory to many of us.

Mr. JONES of Alabama. Mr. Chairman, I rise in support of the pending legislation, the highway bill, H.R. 8678. This bill is before this body today only after a long and difficult path. This is legislation that has been completely and minutely considered not only by my own committee, the Public Works Committee, but by the distinguished Ways and Means Committee. It is legislation that is frankly compromise. It is legislation that I support reluctantly but of necessity because of the fact that I believe a highway program is essential to the economy and welfare of this country. It is needed from many aspects, not only from the question of those who have committed millions of dollars in equipment for the construction of this System; not only to those who are gainfully employed in the industry, but also from a very important defense aspect.

I would like to point out to the House that every effort has been made by my-

self and other members of the Public Works Committee to go along in solving this problem. I proposed a solution that I thought was a workable one—the ½-cent gasoline tax for 1 year and then diversion of excise taxes for the next 4 years. Further, I and other members of the committee agreed to increase the ½-cent tax to 1 cent plus diversion of excise taxes. We have finally agreed because of the need of the program to support this bill. But I trust that this gasoline tax we are now considering today will be only a temporary one, because I believe that there are other methods of financing this program, and that includes a further utilization and diversion of the billion and one-half dollars' worth of highway user taxes that are paid by the motoring public each year and that are not earmarked for the trust fund but are kept in the general fund.

In 1961 we will have another look at this program in the light of the estimate of cost report and the cost allocation study that will be submitted to the Congress by the Secretary of Commerce. At that time I hope we can finally come to an overall solution of the problem of financing the highway program, but I say to the Members of this House now that we must have a highway program and that the only answer to it as of right now in the face of the emergency facing the highway program is to support that bill. I urge its passage.

Mr. BROWN of Missouri. Mr. Chairman, no one could be a stronger supporter of the Federal highway program than I. I want to see these roads built, without delay, without cutback, without argument.

I, for one, am perfectly willing to pay my share of any taxes necessary to build these roads. I know we can't have something for nothing; and I don't like to go in debt for anything.

But anyone who tells you that this Federal-Aid Highway Act of 1959 must be enacted in the form in which it is presented or the Federal highway program will fall on its face is not telling you the whole truth.

Anyone who tells you that a 1½-cent gasoline tax increase or a 1-cent gasoline tax increase is the only way or even the best way to continue the Federal highway program is not telling you the whole truth.

Actually, this Congress has been asked to increase gasoline taxes 1½ cents, because the fiscal affairs of this administration are in such a mess that the Treasury wants additional tax revenue; and they feel that the political way to get it is to increase gasoline taxes under the pretext of its being essential to carry on the highway program.

Here are the facts. In the original Federal-aid highway legislation of 1956, there was not enough tax revenue earmarked for the highway trust fund. Optimists thought there might be enough. But they knew it would be a close call, and therefore provided authority in the House bill for the trust fund to borrow from general revenue. But in the Senate, this borrowing authority was restricted by the so-called Byrd amendment. Everyone familiar

with the program predicted trouble would ensue from this amendment.

The practical realists said all along that the trust fund was not ample, that early deficiencies would develop. But in order to get the program, the realists had no choice but to get things underway and hope for corrections somewhere along the line.

Now, we are face to face with the predicted deficiencies. More revenue must be earmarked for the trust fund, if this highway program is to be continued on schedule on a pay-as-you-go basis.

This can be done relatively easily.

There is more than \$1.5 billion worth of excise taxes on automobiles and auto parts and accessories, and so forth. Now being collected annually which is going into the general fund.

Surely, any fairminded person would say that, if we are going to collect automobile excise taxes, a portion of the revenue derived therefrom should go for roads.

If you're not going to collect them, if you're going to abandon this form of taxation, that is another question. We might well have considered that when we altered the cabaret tax the other day, or when these taxes were renewed recently. But as a principle, if auto excise taxes are collected, why shouldn't at least a portion of the revenue go for highways?

Right now, none of this revenue is going into the trust fund. If only one-third of it were earmarked for highways, there would be no problem continuing the highway program on schedule, without serious cutback.

But no, the administration says we can't transfer that auto excise revenue from the general fund in 1960 or 1961. Treasury says it's desperately needed to pay for other activities of the Federal Government.

I'm not surprised. It takes a rich country to afford an agricultural brainstormer like the present Secretary of Agriculture.

It takes a real bankroll to pay for all the duplicate projects that a disorganized Defense Department can devise, and our present State Department is not exactly a tight-fisted group, either. If Congress had not cut the President's appropriation requests by billions in recent years, this administration might well have needed a 5-cent gasoline tax to cover its fiscal mess.

But do not say it is essential for highways. Better management in the Defense Department, the Agricultural Department, and the State Department could save enough to build three times the highways we are building, without any additional taxes.

The Congress will cut the President's foreign aid appropriation requests about \$600 million this year alone. The highway program needs less; only \$497 million to continue on schedule.

But, unfortunately, the present management in the executive departments say they are still not able to pay their bills. They say they must have more revenue.

But they do not recommend closing loopholes in the income tax structure, or rescinding the dividend income exemp-

tion, or taxing oil corporations with vast foreign holdings more realistically. They feel it is better politics to set up a hue and cry about carrying on the Federal highway program and then slip in a gasoline tax increase.

I deplore this subterfuge. I think it would be far better to lay it on the line and tell the people why this gasoline tax is being requested. If it becomes law, the people should know why they are paying it.

This new tax is being levied not to continue the highway program, as such. There are other and better ways of doing that.

We could transfer some existing auto user taxes into the trust fund, effective as soon as possible.

By this action, if we accomplished nothing else, we would straighten out the bookkeeping. We would establish the principle that, if auto excise taxes are to be collected, they should be used to build highways.

Then, having straightened that out, we could take a good square look at the general revenue fund, plug some loopholes, revamp the tax programs in general.

But no, we are not doing that. We are asked by the Administration to increase gasoline taxes 1½ cents for 5 years, on phony grounds.

In response, the Congress is preparing to pass a 1 cent increase for 22 months, an expedient tax that may well become permanent. This is a mistake, but in the closing days of the 1959 session, the House is apparently going to do it anyway.

I have fought it with every ounce of energy I possess. I tried to get a better program in Committee. I have tried to get a rule where we could amend the bill. But the battle is lost in the House. We are stuck with this haphazard stop-gap program; and the only reason on earth that there is for passing it is that we must have a bill, some kind of bill to send to the Senate so that they might clean it up.

Mr. Chairman, may I include along with these remarks the supplemental views of some of us on the Public Works Committee?

SUPPLEMENTAL VIEWS OF MR. EDMONDSON, MR. JOHNSON OF CALIFORNIA, MR. HARGIS, MR. BROWN OF MISSOURI, MR. SMITH OF MISSISSIPPI, MRS. PFOST, MR. CLARK, MR. BLATNIK, MR. McFALL, MR. THOMPSON OF LOUISIANA

We are strongly in favor of the highway program. We want it continued without serious cutback.

But this additional motor fuel tax, insisted upon by the administration, is not necessary to continue the highway construction program, as such. The Treasury is now collecting more than \$1.5 billion annually in special highway user taxes on new vehicles, parts, and accessories, etc., that is not going into the highway trust fund, a portion of which could be and should be transferred to the trust fund as soon as possible to continue the highway construction program on schedule.

The administration's underlying purpose for the additional 1 cent gasoline tax is to provide a surplus in the general budget at the expense of the highway user. It is taxation for expediency only. In fact, the administration wants to impose an addi-

tional gasoline tax of 1½ cents—50 percent more than the tax provided in this bill.

Furthermore, administration recommendations called for a 5-year imposition of the 1½ cents tax, as contrasted with the 22-month period provided for in the bill's 1 cent tax. Under the administration proposal, motorists and highway users would bear an additional and staggering burden of more than \$3 billion over the long period of 5 years—a completely unnecessary load upon the public using the highways of the Nation.

There are more equitable methods of increasing the general revenue than by imposing an additional gasoline tax.

Without justice or equity to support it, the insistence upon this gasoline tax increase will—

(1) Impose an unfair and unnecessary additional burden upon the American motorist;

(2) Raise the motor freight rates in practically all sections of the country;

(3) Create additional problems for the States in their search for tax revenues; and

(4) Continue for at least 2 years, and perhaps indefinitely, the unfair diversion of highway user taxes into the general fund.

BACKGROUND

The proposal to increase the Federal taxes on motor fuels, in the opinion of the undersigned, is unfair and unnecessary. Some of the signers listed below have voted to report this measure favorably only because it appears to be the only way to prevent the highway construction program from being cut back sharply. It is the deep conviction of all of us that this program is so vital to our Nation's economy and national defense that it must not be stopped or slowed down unnecessarily.

We feel that administration insistence upon additional gasoline taxes as a part of this legislation is unfair to the Nation's highway users because it ignores the whole history of Federal highway legislation and taxation. The table below shows that over the life of Federal highway program beginning in 1917 and up to the time of enactment of the Federal-Aid Highway Act of 1956, the income from special levies on motor fuel; new vehicles; tires and tubes; parts and accessories, and lubricating oil, exceeded authorizations for highway construction by more than \$17 billion. In 1955, the last full year before enactment of the expanded highway program, the yield of these taxes exceeded Federal highway authorizations by more than \$2 billion.

Federal-aid highway authorizations and Federal automotive excise tax payments, 1917-56

[Amounts in thousands]

	Federal-aid highway authorizations (fiscal years) ¹	Excise tax payments by highway users (calendar years)	Excess of user payments over Federal-aid authorizations
1917-28.....	\$765,000	\$1,141,340	\$376,340
1929-40.....	1,510,000	2,430,442	920,442
1941-52.....	3,335,000	11,854,715	8,519,715
1953.....	500,000	2,183,486	1,683,486
1954.....	575,000	2,203,618	1,628,618
1955.....	575,000	2,735,636	2,160,636
1956.....	875,000	2,858,235	1,983,235
1953-56.....	2,525,000	9,980,975	7,455,975
Grand total.....	8,135,000	25,407,472	17,272,472

¹ Excludes public works authorizations which in the years 1933-35 totaled \$1,000,000,000.

Source: U.S. Department of Commerce, Bureau of Public Roads, Highway Statistics, tables E-5 and E-6 and Authorizations of Major Highway Funds Administered by the BPR.

Thus at the time that the Federal-Aid Highway Act of 1956 was adopted, the Federal Government was collecting from high-

way users, through special taxes, approximately \$2 billion per year more than was being authorized for highways.

Despite these facts, the Congress—at the insistence of the administration—increased taxes on motor fuel; tires and tubes; new trucks, buses, and trailers; and levied new taxes on tread rubber (used in recapping tires) and on trucks weighing 26,000 pounds or more.

Under this action the Federal Government continues to receive huge amounts of revenue for the general fund from special levies on highway users. In fiscal 1957, the excess of income from special levies exceeded authorization by \$1.5 billion. And this is not the whole story.

Under the Federal-aid highway program there is a timelag between the authorization of funds for highways and the appropriation of money to pay for expenditures made in connection with the authorizations. Thus at the time of adoption of the 1956 act there were outstanding \$1,958 billion in Federal highway funds authorized by the 1954 and prior Federal-aid highway acts, for which funds had not been appropriated. These authorizations were made liabilities of the highway trust fund thus relieving the general fund of obligations for them.

While this transfer of the liability for highway expenditures already authorized from the general fund to the trust fund would not have made a great deal of difference over the life of the program, under the construction and financing provisions of the House bills, it makes quite a difference over the short term especially when section 209(g) (the Byrd amendment) was added to the legislation.

The trust fund as originally conceived contemplated a balanced program over a stated number of years with trust fund receipts exceeding expenditures in the early years building up a surplus. Expenditures were expected to exceed receipts in the middle years wiping out the surplus and accumulating a deficit. The deficit was to be financed by repayable advances from the general fund. It would be liquidated in the later years of the program when receipts would again exceed expenditures. The pay-as-you-go principle adopted in the final legislation changed this to a one-way concept with trust fund surpluses available for loan to the general fund but with the trust fund unable to borrow from the general fund.

In fiscal 1957, for example, the highway trust fund had revenues of \$1.482 billion and expenditures of \$966 million. The general fund was able to borrow the surplus funds from the trust fund making it unnecessary to seek funds from outside sources. In fiscal 1958 trust fund income rose to \$2.1 billion and expenditures rose to \$1.6 billion. At the close of fiscal 1958 the trust fund balance was \$1.048 billion most of which was loaned to the general fund. In fiscal 1959, ended June 30, 1959, trust fund income was \$2.185 billion while expenditures increased to \$2.709 billion. This cut into the surplus accumulated in the first 2 years and left the fund with a balance of only \$524 million.

It is now anticipated that expenditures in fiscal 1960, the current year, will exceed income by about \$1 billion wiping out the balance and creating a deficit of about \$500 million by the close of fiscal 1960. Thus, after about 3½ years of surpluses, which were loaned to the general fund, the trust fund will need additional money.

The proposal to raise this needed money by increasing taxes on highway users or to reduce the highway program to a level which can be supported by the revenues from those taxes now dedicated to the highway program, also overlooks the fact that there are other beneficiaries of good highways who are not contributing one cent to the cost of these highways. In its Third Progress Report of the Highway Cost Allocation Study

submitted to Congress on March 2 of this year pursuant to section 210 of the Highway Revenue Act of 1956 the U.S. Department of Commerce stated:

"There exists a formidable array of direct and indirect benefits resulting from Federal-aid highway improvement. In addition to benefits resulting from the actual use of such highways. Recent studies of the economic impact of highway improvement shed considerable light on the identity of the nonvehicular beneficiary groups and on the magnitude and nature of the benefits accruing to these groups. Regardless of the label affixed to these kinds of benefits—whether they be identified as an extension of vehicular benefits, transferred benefits, or nonvehicular benefits—what seems significant is that there are real and extensive beneficiary groups other than highway users as such, that reap the advantages (and perhaps shoulder the shortcomings to a limited extent in special instances) of highway improvement; and that the total magnitude of these benefits is great."

In view of the foregoing it is obvious that under the proposed increases in the fuel taxes the Nation's highway users are being called upon not only to pay the entire cost of the Federal highway program but to provide a probable surplus for the general budget as well.

Mr. CASEY. Mr. Chairman, it is with a great deal of reluctance that I cast my vote in opposition to the proposal to increase the Federal gasoline tax 1 cent.

My reluctance stems from the fact that I know full well the great need for an adequate, modern highway network, and the benefit that will accrue to the people of this Nation from such a program.

I know only too well that such a program, to progress, must be adequately financed not only by the Federal Government, but by State and local governments as well.

But, Mr. Chairman, I cannot justify the further burdening of our overtaxed citizens with another so-called temporary tax. Not when our Government gives billions of dollars away each year to foreign nations. How can we in good faith give away billions of tax dollars to build roads, dams, airfields, and other projects in foreign nations, and tell our people here that you can have no public works projects, and if you want good highways you will have to pay another tax.

Mr. Chairman, the President has seen fit to veto the public-works bill, because it violates his policy of "no new starts" on public works projects. The President calls this Congress spendthrift. And yet he has threatened to call a special session if this Congress fails to give him all the money that he requests for the foreign aid giveaway program.

The people of my district are sick and tired of seeing their tax dollars used in vain attempts to buy friends and influence foreign nations. Certainly the people I represent stand ready to help any nation and any people who are in need. But they want such aid placed on a loan basis, and they want it repaid.

The people I represent have every right to expect that out of the thousands of tax dollars they pay annually, a portion of it will be used to benefit this, our own great country.

I cannot, in good conscience, vote to increase taxes on our people for a program, regardless how meritorious, while

we persist in giving billions away to foreign nations.

Mr. OLIVER. Mr. Chairman, even though, like the overwhelming majority of the membership of this House, I am sincerely committed to support of the interstate highway construction program on the basis of the original schedule, I cannot vote for the method of financing, as provided in this bill.

Therefore, I shall vote against the bill, as written, fully realizing the political implication of such action.

It seems to me, Mr. Chairman, that there is no need nor any justification for any gasoline tax increase to meet the urgent and obvious requirements of this construction program, which the people of America really want.

I shall vote against this bill which imposes this 1-cent gas tax increase for these reasons:

First. In my State of Maine we already impose a gas tax of 0.07 on our motorists plus the existing Federal tax of 0.03. The overall tax on gasoline in this country adds up to the unrealistic percentage of 41 percent, added to the retail price of gasoline. It would appear that this regressive tax is already burdensome enough, without adding another 0.01 of Federal tax, as provided by this bill.

Of course, I know this is supposed to be limited to a 22-month period on a temporary basis, but this limitation in the light of past history means very little since these tax levies have a habit of becoming permanent once they have been hung around the neck of the consumer. So, I fully appreciate the probability, if not the certainty, that this increased tax levy will become a permanent fixture of increased overhead for our people.

Second. As we know, all revenue from the 10-percent Federal excise tax on automobiles; from the 8-percent Federal tax on parts and accessories; plus one-half of the 10-percent tax on trucks and buses now goes into the general funds of the Treasury. This indicates, beyond any shadow of doubt, the general Treasury is dipping into the cash register which logically belongs to the highway trust fund.

Third. To find other means of financing the highway program, it is not too difficult to envision the needless extravagance of the current practices of those who are planning the construction schedule. The gentleman from Nevada [Mr. BARING] has effectively called attention to one phase of such extravagance and actual stupidity, it seems to me, when he told us recently of the horrible example in the Reno area of the unnecessary acquisition of valuable urban locations and construction of most elaborate superstructures to utilize these urban locations. Undoubtedly, this is only one of many similar mistakes of judgment, to put it mildly, in the planning of these highways which are now causing us to "jam down our throats," so to speak, this unpalatable proposal to increase gas taxes.

Fourth. Another approach to cut down on unnecessary expenditures in this highway construction can be found in the use of heavy-duty asphalt paving to replace the more expensive portland

cement paving. It is estimated that this approach would save nearly \$7 billion in construction outlays. There is evidence already available which shows a savings of \$50,700 per mile through the use of heavy-duty asphalt in lieu of cement.

Fifth. Although we do not legislate in this House on the basis of what may be done in the other body, nevertheless, we know that this bill with its gas tax increase will run into trouble, once our action is completed, today. So, why not anticipate a bit and strike out the gas tax increase and write into law the alternatives which make more sense and which will expedite this action which we all support, namely, the continuation of the Interstate Highway construction program on its original schedule.

In conclusion, Mr. Chairman, I strongly support the highway construction program but I, just as strongly, oppose the regressive gas tax increase provided in this legislation. Therefore, since I have no other alternative, I intend to vote against this pending bill, as presented to us, here, today.

Mr. AUCHINCLOSS. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. ROBISON].

Mr. ROBISON. Mr. Chairman, it has been my privilege to have served during 2 congressional years on the House Public Work Committee under the leadership of my distinguished colleague the gentleman from New York [Mr. BUCKLEY]. This year, I have particularly enjoyed the work of the Roads Subcommittee and my association with the able gentleman from Maryland [Mr. FALLON] to whom much credit for the Federal-aid highway program must be given.

However, during the last few weeks—and I say this in all kindness—we of the minority side have felt we were pretty well relegated to the role of bystanders while our Democratic colleagues have been marching up the hill and down again in search of a sound but popular solution to the financial difficulties that have been bringing that program to a halt.

As we met last January, the storm clouds of financial distress were clearly visible on the horizon. The President, in his budget message, pointed to those clouds and recommended a 1½-cent increase in the Federal tax on gasoline as the only sound way of keeping construction of the Interstate System on schedule on a pay-as-we-go basis. Like most early storm warnings, this one was, for the most part, ignored.

In fact, our committee early this year, over the objections of the minority members, chose to pretend there was no financial trouble with the trust fund and voted to again increase the Interstate funds by \$300 million for 1961.

Most of us thereafter had to resort to the newspapers to follow the protracted negotiations that then went on between my Democratic colleagues and the Ways and Means Committee. Suffice it to say, however, that after 8 months we seem now to be back to something closely akin to the original Presidential recommendation.

Mr. Chairman, I have learned that nearly all legislation represents compromise. If the measure of such compromise is the fact that no one is particularly happy, then the fact that H.R. 8678 even got this far is nothing short of miraculous. Arriving at agreement on the revenue portion of H.R. 8678 has, of course, been the main stumbling block.

Many possible alternatives to the tax provisions now contained in H.R. 8678 were presented to the Ways and Means Committee during the course of its deliberations. Eventual majority agreement on those provisions represents, I know, a hard-won decision. To the extent that certain of today's sponsors have had to reverse their previous position entitles them to our commendation for their objectivity and political courage.

However, as one who has been working and voting for economy in Government, although sometimes unsuccessfully, I am alarmed and disturbed at the prospect of even foisting such a small tax increase as 1 cent a gallon on the American motorist. I also seriously question the wisdom of creating future budgetary problems for ourselves by diverting, in 1936, such a large part of the Treasury's excise tax receipts as is here proposed.

In the very limited time available to me, however, I cannot devote more of my remarks to the wisdom of and necessity for such action. Instead, I wish to reserve any objections I may have thereto in favor of speaking about section 104 of H.R. 8678, which relates to the vexing problem of reimbursement and, to my mind, justifies my support of this proposal.

This question of providing reimbursement to those States, like New York, which have had the experience of having certain toll and free highways, bridges, and tunnels, built by them between the years of 1947 and 1957, incorporated into the Federal Interstate System, is a complex one. Our committee has had it under consideration for several years. It has previously been debated on the floor of this House, but there is still a great deal of misconception and misunderstanding about it.

In the hopes of clearing the air somewhat, may I offer the following sequence of events, with particular reference to New York, which brought this problem about:

First. Congressional approval of the so-called interstate network in 1947, allotting the originally authorized 40,000 miles of new interstate highways to the various States—New York being allotted 1,227 miles.

Second. No further congressional action until 1956, when Congress passed the 1956 Federal-Aid Highway Act, and created the trust fund for new highway user taxes to finance the construction of the 40,000 interstate miles originally authorized, plus an additional 1,000 miles added by the Senate.

Third. The fact that in the intervening 9 years, many States, especially the more populous ones like New York, felt that they could not afford to wait for Federal action to start construction of interstate-type thruways, most of which

were so costly the States could only build them on a toll-road-revenue-bond method. New York started its \$1 billion thruway in 1948 and completed it in 1958.

Fourth. Meantime, the report of the Clay Commission, on which the 1956 act was based, recognized this factor, and stated that the national objective being to get roads built, in whatever fashion, the States should not be discouraged from so acting—even on a toll road basis—and should eventually be reimbursed for any such toll or free mileage that could be fitted into the planned system.

Fifth. The fact that, after 1956, it was obviously unwise to build parallel interstate roads alongside any existing toll or free roads that met interstate standards, so the various forward-looking States, like New York, were asked to take action to have their existing highways designated as part of the Interstate System—in New York's case, such mileage amounted to 568.8 miles, automatically reducing its originally allotted interstate mileage from 1,227 miles to 658.2 miles.

Sixth. The probability, though there is no direct proof of this, that those States which agreed to such a designation of their existing highways did so with the belief that the interstate mileage they thereby lost would be made up elsewhere within their borders—at least they could gain such an impression from the stated congressional intent contained in the 1956 act, to consider the question of reimbursement.

Of those 568.8 miles New York has lost, 110.9 miles are free highways built with matching Federal aid, instead of 90-10 money, and the balance of 457.7 miles are toll roads built with no Federal aid. Without the foresight and initiative New York displayed in building those roads, we would now be faced with providing her with 90-10 money to build that same mileage. Should she, and her sister States, be penalized for such initiative?

Most Federal-aid programs prove to be poor bargains for our most progressive States. Usually they contribute more than they receive, but I can think of no such other program where that contribution was more direct and specific than here. The New York roads that have so been contributed are of benefit to the people of the whole Nation. They should be paid for by the people of the whole Nation, as all other interstate roads are, instead of practically by New York alone.

It may be argued that our thruway, as a toll road, was not paid for by our people. That may be so, in a direct sense, but traffic studies show that around 85 percent of the cars using our thruway bear New York registrations, so our people, at least indirectly, are paying for our thruway and, in addition, contributing their full share of Federal taxes to build free thruways elsewhere.

The original concept of the Interstate System was for a network of free thruways. I admit that if New York is eventually reimbursed for her toll roads by

90-10 money, and those roads remain toll, it could be argued that the inequity has been then shifted to the motorists from other States who may occasionally use our thruway. This is one of the questions that will have to be solved in

eventually determining upon a reimbursement formula.

This is not, of course, solely a problem affecting the people of New York, although we have the most at stake, \$799.1 million. Every State, except

Alaska and Hawaii, and even the District of Columbia, has lost interstate mileage. The following table, prepared by the Bureau of Public Roads, will show you the situation with respect to your own State:

Net reimbursement amounts based on 90 percent of depreciated original cost less Federal aid already paid toll and free roads

(Dollar amounts in millions)

State	Miles	Total cost less depreciation	State's share of cost	Less Federal-aid payments already made	Net reimbursable amount	Percent of national total	State	Miles	Total cost less depreciation	State's share of cost	Less Federal-aid payments already made	Net reimbursable amount	Percent of national total
Alabama.....	93.3	\$18.2	\$16.4	\$9.7	\$6.7	0.16	New Jersey.....	84.2	\$356.4	\$320.8	\$22.0	\$298.8	6.96
Arizona.....	457.9	41.9	39.5	25.0	14.5	.34	New Mexico.....	321.5	20.0	18.5	13.7	4.8	.11
Arkansas.....	52.6	14.0	12.6	8.9	3.7	.09	New York.....	568.6	1,036.2	932.6	133.5	799.1	18.60
California.....	850.2	379.9	348.1	87.5	260.6	6.07	North Carolina.....	270.4	58.5	52.7	24.2	28.5	.66
Colorado.....	272.7	45.8	41.8	24.8	17.0	.40	North Dakota.....	145.4	6.9	6.2	4.5	1.7	.04
Connecticut.....	143.6	326.6	293.9	15.5	278.4	6.48	Ohio.....	328.4	300.1	270.1	50.7	219.4	5.11
Delaware.....	4.1	34.9	31.4	-----	31.4	.73	Oklahoma.....	251.5	101.8	91.6	13.7	77.9	1.81
Florida.....	97.4	35.5	32.0	5.4	26.6	.62	Oregon.....	378.9	106.0	97.9	31.9	66.0	1.54
Georgia.....	137.6	68.7	61.8	24.2	37.6	.88	Pennsylvania.....	388.2	432.6	389.4	102.4	287.0	6.68
Idaho.....	117.7	11.8	10.9	7.5	3.4	.08	Rhode Island.....	10.4	19.2	17.3	6.9	10.4	.24
Illinois.....	549.7	550.1	495.1	84.4	410.7	9.56	South Carolina.....	63.1	9.5	8.6	5.4	3.2	.07
Indiana.....	306.9	180.6	162.5	16.2	146.3	3.40	South Dakota.....	137.3	9.8	8.9	5.2	3.7	.09
Iowa.....	52.1	12.1	10.9	7.0	3.9	.09	Tennessee.....	16.7	14.8	13.3	9.2	4.1	.10
Kansas.....	307.9	109.3	98.4	10.3	88.1	2.05	Texas.....	1,440.6	285.1	256.6	97.7	159.4	3.71
Kentucky.....	56.4	37.6	33.8	10.2	23.6	.55	Utah.....	208.3	18.3	17.4	13.5	3.9	.09
Louisiana.....	37.8	33.3	30.0	12.6	17.4	.41	Vermont.....	7.8	3.2	2.9	1.9	1.0	.02
Maine.....	72.9	38.7	34.8	3.7	31.1	.72	Virginia.....	161.8	123.0	110.7	14.5	96.2	2.24
Maryland.....	178.1	165.3	148.8	13.4	135.4	3.15	Washington.....	378.6	90.3	81.9	20.8	61.1	1.42
Massachusetts.....	152.7	292.0	262.8	13.2	249.6	5.81	West Virginia.....	92.2	105.9	96.1	4.5	91.6	2.13
Michigan.....	291.3	283.1	254.8	59.8	195.0	4.53	Wisconsin.....	62.3	12.7	11.4	5.5	5.9	.14
Minnesota.....	159.4	25.9	23.3	10.8	12.5	.29	Wyoming.....	304.0	23.1	21.5	15.6	5.9	.14
Mississippi.....	92.5	12.5	11.3	6.6	4.7	.11	Hawaii.....	-----	-----	-----	-----	-----	-----
Missouri.....	373.1	113.8	102.4	50.8	51.6	1.20	District of Columbia.....	4.8	16.2	14.6	9.2	5.4	.12
Montana.....	206.9	15.0	13.7	11.1	2.6	.06	Puerto Rico.....	-----	-----	-----	-----	-----	-----
Nebraska.....	13.2	1.4	1.2	.5	.7	.02							
Nevada.....	226.9	10.9	10.4	9.7	.7	.02							
New Hampshire.....	24.0	10.1	9.1	2.3	6.8	.16	Total.....	10,953.9	6,018.6	5,432.7	1,137.1	4,295.6	100.00

The first column indicates the reimbursable mileage, the fifth column the net reimbursable dollar amount. The net reimbursable dollar total is a large amount to be sure, \$4,295.6 million, but the cost of doing equity must not be allowed to obscure the principles of equity. What is proposed here is not an eventual giveaway, but an equitable giving back of something we have unfairly taken. By passage of this bill, we will be formally recognizing that moral obligation.

For us to do so, let me remind my colleagues, would not be a new or radical step. The great majority of our Public Works Committee has always favored the principle of reimbursement. The Clay Commission favored reimbursement and so, presumably, did this administration at that time.

More importantly, this House on August 27, 1956, passed H.R. 10660, 84th Congress, which contained a section known as section 109, as originally numbered, which followed, almost word for word, section 104 of H.R. 8678, now before us. When that bill—H.R. 10660, 84th Congress—reached the Senate, however, section 109 was deleted but, in conference, it was partially restored as section 114 of the 1956 act which, in watered down language, merely declared it to be the congressional intent to determine whether or not reimbursement should be made.

My own research into this problem indicates that part of the Senate's reluctance to approve the principle of reimbursement stemmed from the fact that the Congress then did not even know how much mileage would be eligible for reimbursement nor how much such reimbursement might cost. We now have the full benefit of all such information, as

contained in House Document No. 301, 85th Congress. We also have the, to my mind, somewhat dubious benefit of a subsequent report submitted by the Secretary of Commerce on February 1, 1959, pursuant to Public Law 85-845, which suggests two alternative proposals for an eventual reimbursement formula.

There are, admittedly, numerous differences of opinion among us as to how and when reimbursement can be made and how it can be financed. There should, however, no longer be any reason for delaying the establishment of the principle of reimbursement, which is called for in the interests of equity and fair play. The time to make that determination, Mr. Chairman, is now.

To do so need not and should not endanger the completion of the Interstate System. Section 104 of H.R. 8678 is so broad that any future Congress can work its own will in solving the problems involved in putting that principle into effect. In 1961, the 87th Congress will have the further benefit of two additional study reports that are now pending—a new, up-dated cost estimate for the completion of the Interstate System, and the so-called section 210 study which may enable that Congress to find ways and means for broadening the tax base for the trust fund. By that time, we should also have had ample opportunity to explore the various reimbursement formulas fully and to have resolved our existing differences.

Mr. Chairman, earlier this year I introduced H.R. 7512, and offered it as an amendment to Mr. BUCKLEY's own reimbursement bill, H.R. 6303, when the same was before our committee for consideration. My amendment was defeated there, however, and H.R. 6303

favorably reported out. I felt I then had to oppose H.R. 6303, because it ignored the overriding financial difficulties that we are attempting to resolve today. My bill, H.R. 7512, in effect, would have accomplished exactly what section 104 of H.R. 8678 now purports to do, and I am indeed grateful that our committee has seen fit to adopt the approach to this question that I earlier suggested.

I have hoped for, and would have preferred separate action on my bill, H.R. 7512. That does not appear to be possible. I recognize that many roadblocks will still exist, even after passage of this act, before attaining the goal of reimbursement. Nevertheless, this is the first, positive step toward that goal.

The opportunity to make such step is sufficient to overcome my objections to the revenue portions of H.R. 8678, which I still reserve, and I therefore urge, Mr. Chairman, that H.R. 8678 do pass.

(Mr. ROBISON asked and was given permission to revise and extend his remarks.)

Mr. AUCHINCLOSS. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. GOODELL].

Mr. GOODELL. Mr. Chairman, I commend my distinguished colleague, Mr. ROBISON from New York for a forceful and accurate statement. I rise to expand on some of the important points he has made.

I am aggressively and enthusiastically in favor of a Federal highway program so long as it is equitably distributed among the various States. I do not mean by this that I endorse any particular form of distribution among the States or that in such distribution we can afford to lose sight of the overall

compelling interest of the country as a whole. Nonetheless, it is apparent to me at this time that there is no serious disposition on the part of the Federal highway administrators to correct the inequity which has resulted from New York State's having lost almost half of the 1,227 miles originally planned to be constructed in New York State. Other States are in very much the same position as New York. We, in New York, built the thruway and some other roads along the route of the Federal highway system. This construction involved 568.8 miles. By the time the Federal Government got around to construction of the Federal highway program, these roads had already been constructed and the Federal Government refused to replace this mileage or reimburse New York State. The Federal highway program places a far heavier burden on New York State taxpayers than those taxpayers get back in benefits. In general, New York State pays better than 18 percent of the Federal taxes in this country and receives back approximately 6 percent of Federal aid expenditures. Under present rates New York is getting 5.4 percent of Federal highway funds. How can anyone justify such a wide disparity between taxes and benefits?

Even under the old formula which gave New York State 1,227 out of 41,000 total miles of construction, New York State was not faring very well. Now they have cut our Federal road mileage in half and are not proposing to do anything about replacing this mileage.

Let me make it clear that I am in favor of the Federal highway program. But as long as such gross injustices in the Federal program exists, I cannot vote for an increased burden on the New York State taxpayers. The present proposal for a policy declaration by the Federal Government to reimburse such States as New York for mileage already constructed is a weak proposal indeed and appears to have little likelihood of being passed in the Senate. If the House eliminates even this weak reassurance, I will surely cast my ballot against a Federal increase in the gasoline tax.

(Mr. GOODELL asked and was given permission to revise and extend his remarks.)

Mr. AUCHINCLOSS. Mr. Chairman, I yield 5 minutes to the gentleman from Florida [Mr. CRAMER].

(Mr. CRAMER asked and was given permission to revise and extend his remarks.)

Mr. CRAMER. Mr. Chairman, I shall spend a few minutes to discuss title I, which is under the jurisdiction of the Committee on Public Works. I am not too happy about title II, the method of financing, but it appears we are in the position now where we either have to fish or cut bait on this particular issue. We are going to have to provide adequate financing or we are going to have to accept responsibility for the curtailing and stopping of the road-building program which has already happened in some 25 States so far as future contracts are concerned. This stoppage will result in many millions—

if not billions—in added spending should it occur now as the program is underway full blast.

Mr. Chairman, I think it is necessary to point out though with regard to financing that an amendment will be offered as a committee amendment to the bill, which was agreed to in committee and which is contained on page 2 of the bill we have before us as section 104, concerning the policy with respect to reimbursement of certain highways.

Under the present law, the 1956 act, the policy with regard to reimbursement to States for toll roads and freeways that have been constructed to standard between 1947 and 1957, the Federal Government or the Congress stated as a matter of policy that it would be discretionary in the future as to whether or not the Congress would reimburse for toll roads and freeways.

It is stated in the 1956 act "Congress shall determine whether or not reimbursement shall be made." And, I think it is important to point out that the amendment to be offered as a committee amendment takes away that discretion from the Congress and makes it mandatory that reimbursement be made. I read from the bill on page 2:

It is hereby declared to be the intent and policy of the Congress to equitably reimburse in money or in mileage each State for every portion of a toll or free highway, bridge, or tunnel within such State which is on the Interstate System, the construction of which has been completed subsequent to August 2, 1947, or which is either in actual use or under construction by contract, for completion, awarded not later than June 30, 1957.

This takes away the congressional discretion which presently exists, for reimbursement on toll roads and freeways. As a procedural matter, I would like to point out to the House that, of course, it will require an affirmative vote of the House to accept that committee amendment at the time the amendment is offered, and I, for one, intend to vote against the amendment. As a matter of fact, today, as in the 1956 act, Congress has the authority to decide at a future date on this issue, decide when it should be done, under what circumstances, and to what extent reimbursement should be made, if at all. But, this statement of policy makes it mandatory on the part of the Congress to go ahead on reimbursement.

I am concerned about it further for this reason: What is it going to cost? The gentleman from Washington awhile ago asked that question. The estimate by the Bureau of Public Roads is \$4.3 billion if you retain the cutoff date of June 30, 1957, which I maintain is an arbitrary date in the first place. Why penalize the States that have made those improvements subsequent to that time? It will cost \$4.3 billion, and if this date is changed to a future date, today, for instance, it would cost \$6.3 billion to reimburse already existing toll facilities or freeways. One of the reasons why that is such a critical question at this time is that the program, as the result of the increased cost of construction, already has a deficit. In the program

authorized in 1956 it was estimated at \$25 billion, and the current estimated deficit on the already authorized program is \$13 billion. Now, the proponents of this amendment would, as a matter of policy, say that it is mandatory that Congress reimburse by \$4.3 billion more, making that deficit \$17.3 billion. I cannot subscribe to such fiscal irresponsibility.

Mr. FALLON. Mr. Chairman, I yield to the gentleman from Maryland [Mr. FOLEY].

Mr. FOLEY. Mr. Chairman, on behalf of my constituents in the Sixth District of Maryland, I want to commend the distinguished dean of the Maryland delegation, Mr. FALLON, for his leadership in working out a feasible solution to a complex, pressing legislative problem. This important highway program affects the safety of the lives of the people of my district and the future economic development of the Sixth District of Maryland. Moreover, it is the major essential step toward eliminating now and in the future the deplorable transportation logjam in the Washington metropolitan area. I strongly support this measure and urge the other Members of the House to do so.

Mr. FALLON. Mr. Speaker, I yield such time as he may desire to the gentleman from Ohio [Mr. COOK].

(Mr. COOK asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. COOK. Mr. Chairman, it is with great reluctance that I rise today in support of H.R. 8678. As a member of the Public Works Committee, I am a firm believer in the interstate highway program. Such a system of highways is essential to our defense and to high-day safety in general.

However, I am sorry that this program apparently can only be continued by imposing an additional gasoline tax of 1 cent per gallon for 22 months. The people of Ohio only recently received a jolt of a 2-cent increase in the State gasoline tax. The increase included in this pending bill will really be felt by my constituents.

But the States and the various road contractors are now tooled up for the construction of many miles of new highway. The jobs of many people hinge upon a continuation of the road program at as near to present level as possible. If the program is reduced now, it will have a disastrous effect upon the economy of this Nation as well as upon our highway safety program and the defense of our Nation in case of attack. Therefore, I very reluctantly will vote for passage of H.R. 8678. There apparently is no other way, at this late day of the first session of the 86th Congress, to guarantee the continuation of the interstate highway program.

Mr. FALLON. Mr. Chairman, I yield such time as he may desire to the gentleman from Connecticut [Mr. DADDARIO].

(Mr. DADDARIO asked and was given permission to revise and extend his remarks.)

Mr. DADDARIO. Mr. Chairman, we have reached a point in our delibera-

tions in which we are faced with two unpalatable choices. The first is to discontinue, or reduce, the Federal highway program, enacted to improve the communications across this great country and vital to our commerce and travel. The second is to increase the inequities that are occasioned by the imposition of heavy Federal gasoline taxes through raising the present rate. Despite this fact many highway user taxes are now diverted from the purpose for which they could be dedicated—namely the maintenance of our road system.

This has been a serious issue since the start of the session. The Committee on Ways and Means and the Committee on Public Works have faced it, explored it and argued every conceivable alternative. Always in the background was implied use of executive powers to frustrate the will of the country by cutting off highway construction arbitrarily to make the point. I respect the serious and concentrated effort on the part of our colleagues on these committees to reach an agreement that would be good for all the people.

I have always opposed further and heavier Federal gasoline taxes, because I believe this is a province best left to the States. A general rise in Federal taxes would make it more and more difficult to meet local problems at the local level, which ought to be of primary concern of all of us.

Connecticut motorists now pay a total of 9 cents on each gallon of gasoline—6 cents in State tax, plus the 3 cents Federal tax. This is equal to a sales tax of 45 percent of the retail price of gasoline. The typical Connecticut motor vehicle owner pays an average of \$166.20 a year in special State and Federal taxes on his vehicle and gasoline. The present Federal gasoline tax costs the people of Connecticut \$23 million a year. Additional excise taxes bring the cost of Federal levies alone to \$51 million.

In addition, Connecticut has never shirked its responsibilities in road building, nor expected Washington to solve its problems. As long ago as the 1920s, we began and followed through on a program to get the farmers out of the mud, by replacing our dirt roads in the secondary network. Not long ago, we completed and opened to traffic a major cross-State expressway that will be part of the Federal Interstate System—in all, we have completed about 147 miles of modern, limited access roads. The expense of those roads was borne through taxes and tolls on the people of Connecticut.

I have believed that some form of reimbursement should be provided, as the Congress indicated might be possible when it wrote the highway act. I have supported measures introduced by the gentleman from New York, the distinguished chairman of the Committee on Public Works, to that effect. I regret that this measure has not been brought to the floor, because I believe, as the Clay committee believed, and the President initially recommended, that it would be fair play to do so. I am glad, however,

that there is an amendment to this bill which declares that it is the intent and policy of the Congress to reimburse States for such construction. If this amendment is defeated it will be necessary to keep such possibility for repayment open in the future.

I know that we need improved roads in this country—improved to save lives, to allow for the growth of our economy, to improve the leisure of our people. I believe also we have other important needs that must be met—in education, in public works, in defense, in housing, in employment, in water pollution control. I do not believe we can allow the highway program alone to overshadow the entire picture.

Nevertheless, because I know and respect how thoroughly the distinguished members of the committees concerned have gone into this problem, I shall vote for the bill. I want to make the point that I made earlier when this Congress imposed increased taxes that represent a heavy burden to my State—that a big bite is involved here, and one that I do not believe recognizes the taxing resources of the separate States and the burdens upon them.

I would make one further point. In recent years, we have all been conscious of the increasing problems of mass transportation—the bus companies, the taxicab companies and others that are important to our economy and our way of living. In my district, the principal mass transportation company is facing increasing difficulties, and in some communities in the State is trying and succeeding in shutting down feeder lines and often main lines that have been uneconomical.

This is a serious problem for the entire country. Gasoline taxes are part of the operating costs of these agencies, where adequate provision has not been made. Any increase such as this one is bound to tighten the noose around the average citizen, the fellow who has to ride to his job. It is bound to increase the pressures on cities, for parking space, for street construction and repair. I am glad to see that provisions for local transit systems are contained in this bill.

In Connecticut, two surveys have recently been completed that have demonstrated the acute nature of this problem. The first was an official study of the Hartford labor market area under the direction of David Pinsky of the State labor department. It showed that about 20 percent of the 200,000 people who work in our area commute from outside the 18 towns that make it up, including some from out of State. The mass transportation facilities are particularly vital to those who travel freely within the 18 towns. Yet another survey, done by Irving Kravsov of the Hartford Courant, showed that the tightening noose about our bus facilities is posing an ever-increasing problem. I am happy to see that in raising the gasoline tax, at least, the committees have taken this into consideration.

Mr. FALLON. Mr. Chairman, I yield such time as he may desire to the gentleman from Illinois [Mr. GRAY].

(Mr. GRAY asked and was given permission to revise and extend his remarks.)

[Mr. GRAY addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. FALLON. Mr. Chairman, I yield such time as he may desire to the gentleman from Delaware [Mr. McDOWELL].

Mr. McDOWELL. Mr. Chairman, I am strongly in favor of the highway program, and I think the people of Delaware support this program overwhelmingly.

But they question the need for the 1-cent increase in the gasoline tax over the next 22 months, until July 1, 1961, as proposed in H.R. 8678.

This additional tax, which the administration is insisting on for purely budget-balancing purposes, is not necessary to continue the highway-construction program.

In the report of the Committee on Public Works which accompanies this measure it is pointed out that the Treasury is now collecting more than \$1.5 billion annually in special highway-user taxes on new vehicles, parts, and accessories. These huge sums are not going into the highway trust fund, and, if they were, or if only a portion of them were, there would be no need for an increase in the gasoline tax today.

The insistence of the administration upon additional gasoline taxes as a part of this legislation, indeed, is unfair to the motoring public and to all of the users of the Nation's highways.

The committee report shows that over the life of the Federal highway program, beginning in 1917 and up to the time of the enactment of the Federal-Aid Highway Act of 1956, the income from special levies on such things as gasoline and oil, new vehicles, tires and tubes, parts and accessories exceeded authorizations for highway construction by more than \$17 billion.

In 1955 alone, the last full year before enactment of the act, the yield of these taxes exceeded Federal highway expenditures by more than \$2 billion.

Despite the fact that at the time of the enactment of the Federal-Aid Highway Act of 1956 these taxes were yielding the Federal Government \$2 billion a year the administration insisted on increasing taxes on motor fuel; tires and tubes; new trucks, buses, trailers; and levied new taxes on tread rubber and on trucks weighing 26,000 pounds or more.

At this very moment, the Federal Government receives much more from these taxes than it spends on the highways. In fiscal 1957, the excess of income from these special levies exceeded authorizations for highway construction programs by \$1,500 million.

Small wonder, then, that there is so much dissatisfaction with the measures which we are called upon to vote for today.

This bill, H.R. 8678, is manifestly unfair.

Yet, we are offered no alternative to accepting it with the provision of additional gasoline taxes.

President Eisenhower has made a great thing of his supposed need for an

item veto, to enable him to reject unwellcome and unnecessary authorizations.

Here is one instance, certainly, where this House stands in desperate need of an item veto.

This item veto should work both ways, not just in favor of what the administration wants or does not want.

Another thing, under the highway program there is a lapse of time between the authorization of funds for highways and the actual appropriation of money to pay for such highway programs.

At the time the Federal-Aid Highway Act of 1956 was adopted there were \$1.958 billion in Federal highway funds outstanding which had been authorized by the 1954 and prior Federal-aid highway acts for which funds had not been appropriated. These huge authorizations were made liabilities of the highway trust fund, and the general fund was relieved of obligations for them.

This situation has been aggravated by section 209(g), known as the Byrd amendment.

Here is the reason this is so:

As originally developed, the highway trust fund receipts were to exceed expenditures in the early years of the program, thus building up a surplus. But this was to be a balanced program, with expenditures exceeding receipts as time went on. In the concluding phase of this program the receipts would again exceed expenditures.

Let us examine this for a moment.

The supplemental views with respect to H.R. 8678 filed by our colleagues, including the gentleman from Minnesota [Mr. BLATNIK], the gentleman from Pennsylvania [Mr. CLARK], and the gentleman from Oklahoma [Mr. EDMONDSON] declare that—

In fiscal 1957, for example, the highway trust fund had revenues of \$1.482 billion and expenditures of \$966 million. The general fund was able to borrow the surplus funds from the trust fund making it unnecessary to seek funds from outside sources. In fiscal 1958 trust fund income rose to \$2.1 billion and expenditures rose to \$1.6 billion. At the close of fiscal 1958 the trust fund balance was \$1.048 billion most of which was loaned to the general fund. In fiscal 1959, ended June 30, 1959, trust fund income was \$2.185 billion while expenditures increased to \$2.709 billion. This cut into the surplus accumulated in the first 2 years and left the fund with a balance of only \$524 million.

It is now anticipated that expenditures in fiscal 1960, the current year, will exceed income by about \$1 billion, wiping out the balance and creating a deficit of about \$500 million by the close of fiscal 1960. Thus, after about 3½ years of surpluses, which were loaned to the general fund, the trust fund will need additional money.

The situation is complicated by the fact that the costs involved in highway construction have gone up considerably.

The Federal Highway Administrator testified before the Committee on Ways and Means that the cost of the program as estimated in 1955 was based on incomplete data.

In addition, an increase of \$1.3 billion was due to the fact that recent traffic studies showed the need for additional traffic lanes and other expensive features.

The Administrator further testified that an increase of \$3.8 billion was attributable to the local needs of small cities and communities which required changes in the location of the highways in some cases and increases in the number of interchanges.

Other items not included in the 1955 estimate, such as utility relocations, provision for uniform signs on the Interstate System, and additional road lighting hiked expenses by \$800 million.

A rise of \$4.1 billion was due to the 12-percent rise in highway construction costs between mid-1954 and the last half of 1956.

The cost of the highway program has increased by a staggering \$10 billion, with the Federal Government's share of the cost increases for the Interstate System authorized in the 1956 legislation amounting to \$8.9 billion.

But there are a few other factors to be considered which account for the cost of the program zooming from \$25 billion to \$36 billion in the short space of 3 years' time.

This is the way the matter is explained by the Committee on Public Works in its report on H.R. 8678:

The actual measured miles between the cities and border points used as the basis for the 1955-56 estimate were found to be 38,548 miles as compared to the figure of 40,000 miles which was authorized in the 1956 legislation, leaving 1,452 miles of the 40,000 undesignated. In 1957 the Department of Commerce designated 1,102 miles out of this 1,452 miles to specific roads, reserving the remaining 350 miles to be certain that the 40,000-mile limitation was not exceeded during actual construction. The estimated cost of the 1,102 miles already designated, and the 350 miles now held in reserve is \$1.6 billion, representing a charge against Federal funds of \$1.5 billion. In addition, an item of \$700 million has been included to cover contingencies. Thus it was indicated that the rise of the Federal Government's share of the cost of the program from \$25 billion to \$36 billion for a 40,000-mile Interstate System can be accounted for by the \$8.9 billion of costs attributable to the roads designated in 1956, to the \$1.5 billion for the additional mileage, and to the \$600 million for contingencies.

It is significant, I think, that the Committee on Ways and Means is deeply concerned with these rising costs and believes that they require careful review over the next few years.

The Federal-Aid Highway Act of 1956 was directed to one of the country's most pressing needs: adequate defense.

There is no question in my mind that we must intelligently plan to provide funds for the completion of the 40,000-mile Interstate System.

But, at the same time, steps must be taken to curb the reckless spending by the Bureau of Public Roads which often has purchased expensive properties at outlandish expense.

Elaborate superstructures have been built which are engineering marvels, but which may not have been needed if more careful study of the sites had been made.

At this same time the economies of our cities from coast to coast have been disrupted.

Part of the increasing cost of the highway program is due to the inordi-

nate emphasis on speed, according to officials of the congressionally chartered National Trust for Historic Preservation. The National Trust is made up of hundreds of organizations at the National, State, and local levels. Mrs. Helen Duprey Bullock, historian of the National Trust for Historic Preservation, declares that—

Part of the fabulous and increasing cost of this program is owing to the inordinate emphasis on speed. Routes are not infrequently selected and plotted from the air with an appalling lack of consideration of human values involved.

Mr. Chairman, I strongly urge the adoption of the bill.

Mr. FALLON. Mr. Chairman, I yield 2 minutes to the gentleman from Texas [Mr. WRIGHT].

Mr. WRIGHT. Mr. Chairman, this is a decision which faces all of us and about which none of us can really be enthusiastic. I suppose no Member of the House could find it a more bitter pill than I find it to be, since I, along with others, had stated publicly earlier in the session that I was opposed to any increase of the gasoline tax. Yet, I have come to the conclusion that this is the only responsible way in which Congress can proceed at this juncture of our highway program.

Nobody likes to vote for a tax increase, and yet I suggest to you that you take whatever objection you might have to this bill and compare it side by side with what will happen if the bill is not enacted. If this bill is not enacted, we will most certainly come to a point, according to the testimony by the Department of Commerce, within a couple of months, when the entire Federal highway program will be brought to a grinding halt.

It would have been my choice to find another alternative, perhaps to scale the size of the program down a bit and keep it going in an orderly fashion at a somewhat reduced rate. But we do not have any choices. Our choice is either to let the program die entirely for a period of some 9 months or to enact this bill, behave responsibly and validate our obligations to the States which, acting upon those obligations, have made contractual obligations to contractors within those States to build roads.

If we do not pass this bill many of those States within 2 months are going to be in a position where they will have to default on the obligations they have assumed to the contractors. Many miles of road presently under construction will not be paid for in keeping with the terms of the contracts. Many contractors, unable to meet their own obligations assumed in good faith based upon Government commitments, would have to go out of business. Many thousands of highway workmen would suddenly be thrown out of work. Public confidence in the entire highway program would be seriously impaired.

Mr. Chairman, it boils down to this. We have bought the merchandise. We cannot send it back. The only honorable thing we can do at this point is to pay for it.

Mr. MACK of Washington. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin [Mr. BYRNES].

Mr. BYRNES of Wisconsin. Mr. Chairman, the main question facing us today is simply this. Do we want the highway program to continue? In my judgment it is just that simple. The question is, Will we go back on the commitments that we have made to the several States? Will we stop the construction of the Interstate System of Highways that we began a few years ago?

Unless we enact this bill two things will happen. We will be going back on our word to the States because we told the States to go ahead and enter into contracts for highway construction and we would share the cost. But unless additional funds are provided for the highway trust fund, we are not even going to be able to meet our responsibility to reimburse the States on some of the ABC contracts that have been entered into.

It is not just the Interstate System that is in trouble. You have some States that are preparing now to present bills for reimbursement to the Federal Government for construction that has been completed. We are going to have to go back on our word temporarily and say, "No, we cannot give you the money today, you will have to wait 6 months or a year until this trust fund is replenished."

So the question whether we honor our word and our commitment in those cases is involved in this legislation. Also, unless we enact this legislation all of the new work on the Interstate System will have been cut off in 36 States and the District of Columbia within the year. In fact, it is cut off already in some States.

The fact is that the trust fund from which highway aid, both ABC and interstate aid, is paid is short of money.

The Senate last year in a bill which was sent to it from this House added an amendment ordering a speedup in the highway program and ordering the spending of \$1.6 billion more than was contemplated under this program. No provision, however, was made for finding the money to pay the bill. I suppose we can say that that is customary. But at least that is what happened. The House agreed to the amendment in conference, the bill was signed, and the money was spent as ordered by the Congress.

Mr. Chairman, I voted against that legislation but I do not think that absolves me from responsibility as far as facing up to the facts of the situation today. The money has been spent. The fund is short. If we do not do something then the whole Interstate System comes to a grinding halt and we cannot even honor commitments that have been made to the States on which the States have gone ahead and spent money.

Gentlemen have mentioned the responsibility of the Congress. It seems to me it is our obligation when we order commitments made that we then find where the money is going to come from and provide that revenue.

We must act today because of the obligation we created last year. We are in an emergency, but this is not the only problem we have with respect to the highway program. In fact, the increased cost of the program is such that we are going to have to face up to a bigger issue 2 years from now.

The CHAIRMAN. The time of the gentleman has expired.

Mr. AUCHINCLOSS. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. BYRNES of Wisconsin. We are going to have a real problem before us. If we want the program and the roads built on schedule and on time, we are going to have the real problem 2 years from now of finding about \$13 billion in addition to what is now provided under present taxes. So do not think that this action today is going to lead us up a rosy road where we do not have to worry any more because we have something more facing us. But we are in an emergency now. This bill proposes to meet that emergency. Now what can you do to meet this emergency? Of course, you can do what we have already done too often. You can borrow the money. You can raid the general fund and say, "Well, we will have the general funds of the Treasury finance the deficit." But, the general fund is short, and it has to borrow. So the question you have to face today is whether you are going to borrow this money or whether you are going to raise it in current taxes. In my book, Mr. Chairman, if this Congress is going to be responsible, it will decide to stop this idea of borrowing to meet our every need. We will pay for current spending with current taxes. That is what this bill does.

Certainly it is distasteful. Nobody likes to raise taxes. But let us just remember this not only in connection with this bill, but in connection with all bills that cost money. If we are going to spend money, we are going to have to raise the taxes to pay the bills. It is always going to be distasteful. But let us remember how distasteful it is to raise taxes when we order the expenditures made.

This bill is a compromise. We have cut the program back. We have cut it back from what the Committee on Public Works anticipated being a \$2.5 billion annual program. We have cut it back so that this year they are only authorizing \$1,800 million, and there will be a further reduction next year. We increase taxes to provide the funds to finance the reduced program.

It is a reasonable compromise.

It is a practical compromise.

(Mr. BYRNES of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. FALLON. Mr. Chairman, I yield 5 minutes to the gentleman from Virginia [Mr. HARRISON].

Mr. HARRISON. Mr. Chairman, it is a source of genuine regret to me to part company on this measure with the distinguished gentleman from New York [Mr. BUCKLEY], the chairman of the Committee on Public Works, and the

able gentleman from Maryland [Mr. FALLON], and it is of particular regret to me to part from my own distinguished chairman of the Committee on Ways and Means, whose leadership I am always anxious to follow. In the history of the Congress, there has never been a time when the Committee on Ways and Means has been chaired by one with more profound knowledge of the intricate and technical laws within the committee's jurisdiction or who has so much enjoyed the respect and admiration of his colleagues on the committee.

I agree with what the preceding speaker, the distinguished gentleman from Wisconsin [Mr. BYRNES] has said, that at this late date there is no choice between going on with this program as planned and passing this bill. But, it is my position that, instead of raising taxes on American motorists to the tune of a billion dollars, this Congress should slow down this interstate highway program and take stock of its progress. There is need for such stocktaking. The 1956 estimate of cost of this program is \$25 billion and, in the course of 3 years that has gone up \$13 billion, or a 50-percent difference, and only \$4 billion of that is claimed to be on account of rising costs of construction. Reports made by the Comptroller General to various committees of this Congress furnish strong evidence that some of the States are running riot on the Federal Government's 90 percent share of this interstate program.

Mr. FALLON. Mr. Chairman, will the gentleman yield?

Mr. HARRISON. I yield.

Mr. FALLON. In regard to the costs on the Interstate System, I would like to call the attention of the gentleman to the fact that so far as the Interstate System is concerned, the cost for construction is \$1,175,000 a mile under State and Federal supervision, whereas in 14 cases of completed toll roads, the cost has been \$1,222,000 a mile.

Mr. HARRISON. The gentleman will recall that Mr. Tallamy of the Bureau of Public Roads testified to the fact of the increased cost of the estimate and stated that \$4 billion of it was due to increases as the result of price rising and the rest for other reasons. The report of the Comptroller General shows that States have built roads parallel to other State roads with Federal standards in Kansas and New York and Ohio, New Jersey and Massachusetts.

The report of the Comptroller General says there were extravagant or political appraisals in New York, Kansas, and Indiana; and in the State of New York on one road a stretch of road of 35 miles at a cost of \$24.8 million, on which the right-of-way estimates were made in a day.

There were faulty cost estimates and errors in the States of Colorado, Washington, Virginia, Ohio, California, Kansas, Georgia, Texas, New Jersey, Illinois, and Florida. It is only fair to say that the Bureau of Roads has submitted an answer to that in which it denies allegations of inefficiency and contends that other faulty practices have been elimi-

nated, but it is significant that the Comptroller General charges that the Federal Bureau of Roads' "difficulties in financial administration stem principally from a lack of professional leadership in financial management."

There is hardly a Member of Congress through whose district these roads go who does not know of some extravagant use of the Federal funds.

I can give you an illustration in my State of Virginia where contrary to engineering advice the Highway Commission by a divided vote is asking the Federal Government to put up \$37 million additional and to add 54 miles and this the Commission is doing for purely political purposes, despite advice of engineers it employed to give it advice.

Forty-two percent of this interstate money is for city throughways at a cost of \$4 million a mile. These city freeways constitute only 11 percent of the system. Since the Interstate System is only 1¼ percent of American highways, 42 percent of its money is for one-tenth of 1 percent of the roads.

Mr. FALLON. Mr. Chairman, will the gentleman yield?

Mr. HARRISON. I yield to the gentleman from Maryland.

Mr. FALLON. It just happens to work out that while it accounts for 42 percent of the cost, it also carries 42 percent of the traffic.

Mr. HARRISON. But it is only 11 percent of the roads in the highway system.

Mr. SCHERER. Mr. Chairman, will the gentleman yield?

Mr. HARRISON. I yield.

Mr. SCHERER. I realize what the gentleman said is correct, that 42 percent of the cost goes to these city throughways.

Mr. HARRISON. Forty-two percent of the cost for 11 percent or 1¼ percent of the entire highway system.

Mr. SCHERER. The chairman of the subcommittee said that 42 percent of the traffic is there, and it accounts for 49 percent of the cost.

Mr. HARRISON. But the other State roads, the primary and secondary roads are suffering as a consequence.

Mr. FALLON. Mr. Chairman, will the gentleman yield?

Mr. HARRISON. I yield.

Mr. FALLON. Regarding the statement the gentleman made that the secondary farm-to-market roads are suffering because of this system, let me call the gentleman's attention to the amount of money spent by the Federal Government on secondary roads. For 1956 it was \$1,869,044,000. In 1959 the estimate was for \$2,823 million. That is a billion dollars more spent on those systems than in 1956.

The CHAIRMAN. The time of the gentleman from Virginia has expired.

Mr. FALLON. Mr. Chairman, I yield the gentleman an additional half minute.

Mr. HARRISON. The gentleman takes most of my time, and I am very much complimented that he did, but I suspect the same condition exists in other States, but in my State I know that the other primary and secondary highways, the part that constitutes 98¾ percent of the American road system, is

suffering and I suspect that the same condition exists in other States. In Virginia, this year, for construction of primary roads, not subject to Federal aid, not one single penny for construction is allocated.

Mr. FALLON. Let me tell the gentleman exactly how much money is being spent in the gentleman's State.

Mr. HARRISON. I am talking about primary roads.

Mr. FALLON. I am talking about primary, secondary, and farm-to-market roads. In 1956 the Federal Government and the gentleman's State combined spent over \$30 million.

Mr. HARRISON. I did not say that. I do not deny that when we get into the Federal till, we have been trying to put up our share so that we could continue. But the State primary roads and the State secondary roads where Federal aid is not involved are suffering.

Now, we propose to invade the one source of revenue the States have to get their highway funds—the gasoline tax. In addition to that, in this bill, we are invading general revenue to the extent of \$2½ billion. On yesterday, we in this House dealt with the President's veto of the public works appropriation bill and sustained that veto because the President said that over a 10-year period it would cost \$800 million extra in public works. In this bill, we seize more every year from general revenue for public works than the public works appropriation bill had in 10 years.

In view of all this I ask: Is it right to mulct the American motorist for another billion dollars in taxes to carry on a program which the Comptroller General indicates is accompanied by extravagance and mismanagement and sacrifices the Nation's farm to market roads for city thruways.

Mr. AUCHINCLOSS. Mr. Chairman, I yield such time as he may desire to the gentleman from Massachusetts [Mr. CONTE].

(Mr. CONTE asked and was given permission to revise and extend his remarks.)

Mr. CONTE. Mr. Chairman, I am compelled to oppose the bill before us because of the closed rule under which it comes before the House. We are given no opportunity to offer amendments to this bill.

Mr. Chairman, many of us here today would have no objections to an increased tax to finance the interstate highway program if we honestly believed that the new highways were being built for the least possible cost to the taxpayers of this country. We have a dynamic, growing country and there is no doubt that we will need a vast system on the scale now planned if we are to match the requirements of the future.

But need does not justify extravagance. No matter how badly we need any project, we should be certain that we are getting a sound return on our money, and that all due economies are being exercised. Yet the fact is that under present regulations it is altogether possible that millions and millions if not billions of unnecessary dollars will be spent on the interstate highway program.

I am referring, Mr. Chairman, to the fact that States are not required to solicit alternate bids for portland cement concrete and asphaltic type paving. A State, which will pay only 10 percent of the cost of the interstate highway running through its territory, can make the unilateral decision that a certain surfacing is preferable. Even if that surfacing costs millions of extra dollars over a comparable quality in another surfacing, the Federal Government has no right to question the State's choice unless alternate bids have been submitted.

The amendment I would propose, Mr. Mr. Chairman, would simply require the States to solicit competitive bids for both types of road surfacing, portland cement and asphalt paving. I sincerely regret that the rule for this bill does not permit me to offer this amendment, which I believe might save us untold millions of dollars in the interstate highway program.

In my own State of Massachusetts, Mr. Chairman, we recently completed a 123-mile turnpike using asphalt paving. Our saving over concrete was \$15,181,335—the asphalt price was about \$10½ million, while concrete would have cost us \$25½ million.

Let me cite some other recent cases in which asphalt has saved the taxpayers many millions of dollars:

First. Kansas Turnpike: Engineering decision was made to use asphalt paving on 181 miles of the 236-mile toll road at an estimated saving of \$3 million. No alternate bids were asked.

Second. New Hampshire Turnpike: Alternate bids were asked on this 14.7-mile toll road. Concrete bid was \$6,474,809.50 and low asphalt bid was \$5,233,675.50, for a saving of \$1,241,134 with asphalt. This set the pattern for other New Hampshire turnpikes.

Third. New Jersey Turnpike: Alternate bids were asked on the 117.6-mile toll road. Concrete bids totaled \$45,729,568 and low asphalt bids totaled \$40,272,434 for an asphalt saving of \$5,457,134. This set pattern for Garden State Parkway.

Fourth. Turner Turnpike, Oklahoma: Alternate bids were asked on this 88-mile toll road. Low concrete bids totaled \$10,452,484 and asphalt bids totaled \$9,291,364 for an asphalt saving of \$1,161,120. The 88-mile extension automatically designated asphalt.

Fifth. Connecticut Expressway: Engineering decision was made to pave western 68 miles of this 130-mile superhighway with concrete and the eastern 62 miles with asphalt. Only first section on western end was opened to competitive bidding with low concrete bid for the 3-mile stretch \$5,006,411; low asphalt bid was \$4,728,527—a saving of \$277,884 with asphalt on a stretch of 3 miles. Decision to pave with concrete on this end determined by large number of structures requiring use of concrete.

Sixth. Maine Turnpike: Alternate bids were asked on this, the first of the major asphalt turnpikes and the first turnpike project to be built with private investment funds. Low bid for concrete was \$5,785,369.50; for asphalt, \$4,812,-

624.50—a saving of \$972,745 with asphalt.

Seventh. Richmond-Petersburg, Va., Turnpike: First section on which alternate bids were asked was awarded to asphalt on basis of low bid, \$4.02 per square yard for asphalt against \$5.65 per square yard for concrete. This represents a saving of \$50,700 over a 36-mile distance if full turnpike is paved with asphalt, as expected.

Eighth. West Virginia Turnpike: Alternate bids were asked on the first 20-mile section of this 87.6-mile toll road. Low concrete bid was \$4,386,690 and low asphalt bid was \$3,502,090. The demonstrated saving of \$884,600 failed to influence officials who awarded the construction to concrete anyway.

Ninth. Sunshine State Parkway, Florida: This 386.5-mile toll road was designated for asphalt on basis of known savings and speed of construction.

Now there may be cases, Mr. Chairman, in which portland cement surfacings will be more economical. In that case the award should certainly go to cement. But the taxpayers are certainly entitled to the least expensive paving whenever possible.

I understand that in the past there has been dispute over the comparative quality and durability of portland cement versus asphalt paving. In this regard I wish to include at this point a letter from C. D. Curtiss, Commissioner of Public Roads, addressed to Senator FRANCIS CASE, which appeared in the CONGRESSIONAL RECORD of August 28, 1957. This letter indicates the feeling of the Bureau that both surfacings are of high quality and that annual maintenance costs are reasonably close:

DEPARTMENT OF COMMERCE,
BUREAU OF PUBLIC ROADS,
Washington, D.C., July 15, 1957.

HON. FRANCIS CASE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CASE: Your letter of June 12, 1957, with an enclosed letter of June 4 to you and a brochure on highway construction from the Asphalt Institute, has been read with interest.

We are aware of the concentrated efforts being made by advocates for the uses of various types of construction, construction materials, and construction equipment, in competition with others, and claims made of advantages or cost savings, one over the other. This is to be expected as a result of the exercise of free enterprise.

The subject submission concerns itself principally with comparisons between asphaltic concrete and portland cement concrete pavements. Excellent surfaces may be constructed of either bituminous concrete, or portland cement concrete, and there is considerable value in having the two types actively in competition.

In either case it is highly important that consideration be given to climatic conditions, subgrade soil, availability and suitability of materials, character of traffic, and other contributing factors in determining the type or types considered by engineering judgment to be the best suited to the given conditions with resultant overall economy.

As highway work is regularly awarded to contract only after public advertisement and competitive bidding, the ranges of bids received serve as a fair measure of the cost variations whether the bid invitation is on a selected type or on alternate types. These bid cost variations often represent greater

difference than cost advantage differences claimed by the advocates of either type of pavement.

The actual service lives of bituminous and portland cement pavements are not the same nationwide, nor are the maintenance costs the same nationally. The true measure of cost is the annual cost arrived at by dividing the first cost plus maintenance cost by the number of years that the pavement provides a satisfactory road surface. There is considerable difference of opinion between proponents of the two types of pavements as to which has the lower annual cost because of differences in the method of calculating these costs. In general, it may be said that under comparable service conditions, and with comparable designs, the annual costs of the two types are reasonably close. We do not have available conclusive evidence that would justify taking any other position than this on a question which has long been of interest and concern to engineers.

We are not unmindful of the responsibility of public officials entrusted with the improvement of our highway system, to exercise every equitable means toward realizing the utmost economy in that accomplishment.

This bureau's policy has been one of neutrality on pavement types, bridge types, and various other competing types of highway construction, accepting either one or another when of comparable design, but reserving this right to require adequate design of the type or types chosen, and that where comparable types are bid in competition, the award be made to the lowest bidder.

The asphalt industry has given us assurance that it now has, and will continue to provide, ample capacity to supply the types of bituminous products currently in demand and as anticipated to meet future demands for accomplishment of a long-range highway program. Assurances have been given similarly by other producers of materials required for highway construction.

We are convinced that continued use of competitive construction types, construction materials, construction equipment, and construction bidding will result in the most economic accomplishment of the long-range highway program and utilize the highway dollars provided in the best public interest.

Sincerely yours,

C. D. CURTISS,
Commissioner of Public Roads.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. BALDWIN].

Mr. BALDWIN. Mr. Chairman, I rise in support of H.R. 8678.

Mr. Chairman, I think we should go back and review the reason that Congress in 1956 felt that the creation of a Federal interstate highway program on an emergency basis was an absolute must. We recognized at that time that our highway needs had fallen far behind. We had gone through a period at that time when we could not keep our highways abreast of the additional traffic. We had gone through a period of expansion after World War II when we were constructing motor vehicles in great quantities and the highways were not prepared for the great burst and explosion of additional highway traffic.

There is not a man or woman in this Chamber right now who has not had the experience in his own State of being caught in a line of traffic on a two-lane highway where there had been a crash up ahead and having to wait in line for an hour or two until the crash could be

cleaned off the road and the accident cleared up. That was the reason why we authorized this program as an emergency program in 1956. It was to try to keep these highways abreast of the additional traffic. This year there will be 6 million additional automobiles sold in this country. Part of them will be replacement automobiles, but many of them will be new cars on the highway. Constituents of all of us are going to lose their lives this year because of inadequate roads, we are going to have more constituents injured because of inadequate roads. This year we will probably have 38,000 people killed, and well over a million people injured in automobile accidents. Who can measure the cost of those people who are killed or injured because of our inadequate roads?

The statistics show that when we build four-lane highways, with controlled access and divided center lines, the accident rate goes down from one-half to two-thirds. So we are saving the lives of thousands of people, we are preventing people from going through life without an arm or a leg from some motor casualty.

That is the reason for this emergency program and that reason has not changed one bit since 1946. We are going to see, and the statistics show, that when we eliminate the stop lights, and where we have no intersections, only overpasses and underpasses, and we make it unnecessary for motor vehicles to stop, we are going to save lives, we are going to save costs in gasoline consumed while cars are waiting for a change of light so that they can go again, we are going to save in accident insurance by reducing the number of casualties that occur on the highways. This is just as real today, just as needed today as it was in 1956.

There is only one alternative to the passing of this bill, and that is to allow this program to come to a complete stop for at least 9 months. I do not think there are many Members in this room who actually want to see this program come to a complete stop. The people of this country have become aware of this need, the State highway departments have put on additional engineers to meet the needs of a bill we passed in 1956, and it would not be fair to those highway departments to say to them: "You put on additional engineers that we asked you to do, but now they are not going to have anything to do for 9 months because we do not want to finance the program we authorized."

That is the issue, and I think we should meet it face to face by passing this bill.

Mr. FALLON. Mr. Chairman, I yield 4 minutes to the gentleman from Oklahoma [Mr. EDMONDSON].

(Mr. EDMONDSON asked and was given permission to revise and extend his remarks.)

Mr. EDMONDSON. Mr. Chairman, I am quite aware of the blood and the sweat and tears that have gone into this proposition when it was considered by the Committee on Ways and Means and the Committee on Public Works. As a matter of fact, I have shed some my-

self as a member of the Committee on Public Works.

I think at this stage in today's debate you could safely say that the understatement of the day was made by the distinguished and able chairman of the Committee on Ways and Means when he said this bill was brought forth most reluctantly.

It is brought forth only because of a conviction in two committees that it is the only way this road program can be carried forward. What has not been elaborated upon here on this floor but what is a cardinal truth in connection with this bill is the simple fact that this is the only way to get a bill for one reason, and one reason only, and that is that in the White House, in the administration, there is a flat and absolute refusal to consider any other approach to this problem. Make no mistake about that. Every attempt that has been made by the Committee on Ways and Means to explore other approaches to this problem, through excise tax diversion, through a bond issue which anticipates an increase in the trust fund later on, each and every attempt to meet this problem by other ways than dipping into the pocket of Mr. John Q. Public has been met with adamant refusal by the White House. This is an Eisenhower tax increase upon the gasoline users of this country.

From the very first consideration of this measure, since last January, the administration has been saying: We want a 1½ cent further gas tax increase and we want it for 5 years.

Had the Ways and Means Committee followed the recommendation of this administration, they would be loading upon the motorists of this Nation \$3,400 million more over the next 5 years than is being loaded on them by this bill.

And, only because of this adamant refusal over in the White House to consider any other approach to the problem is it necessary to vote today as we do. So, let it be made clear and let it be unmistakable that this is an Eisenhower tax increase upon the motorists and the highway users of this Nation, and it is the President and his administration who have made it imperative that we do it. This comes as the second great declaration of Republican policy to confront our visitor from over in the Kremlin. Yesterday we had policy No. 1: No new starts to meet the great problems of natural resource development in this country. That was policy No. 1 of this administration. Today we get policy No. 2, and that policy is tax the little fellow to pay the bills of the country. No matter what the other approach might be, no matter what other approaches we might have to finance this program, the administration has said, "We want to take it out of the motorists' pockets." And, the administration has said that in spite of the fact that today \$1.5 billion of highway user taxes are going over into the general fund, in spite of the fact that the general fund tapped the trust fund to the extent of \$1.95 billion back in 1956 and 1957 to pay old general fund highway obligations. In spite of these truths, the ad-

ministration has said, "You cannot come to the general fund and reimburse the trust fund. You must put additional taxes on the people who drive on the highways."

Now, Mr. Chairman, I cannot go along on that approach. I honor and respect the Members who are going along with it, because I know they do it in good conscience and because they are meeting what appears to be a stone wall over in the administration that makes any other approach apparently impossible, but I, for one, cannot go along with it. I drove to a filling station this morning. I paid 30.9 cents a gallon for gas, and 9 cents of that 30.9 was for gasoline tax. That is too high a tax, and no more should be levied.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 5 minutes to the gentleman from Missouri [Mr. CURTIS].

Mr. CURTIS of Missouri. Mr. Chairman, I was shocked to hear the speech, or the tirade, just recently delivered on the floor, in complete disregard for the facts of the case, in complete disregard for the committee report of what the facts in this issue are. The attempt to place it on a basis of party politics to me is quite shocking.

Mr. Chairman, this is a very simple issue, as a matter of fact. It is a question of where do we get the money, because the Congress, to a large extent, is responsible for the actual situation we are in today. We accelerated this highway program by about \$1.6 billion in 1958. There are some of us who want highways, and I am among those who do, but who voted against the conference report in 1958, because we did not have the money.

Now, here is the situation. If we want to buy all of these fine things for our people, we have got to pay for them. Now, we cannot pay for them temporarily or postpone bills by issuing Government bonds. We have before us right now the problem we are facing on debt management, and from that side of the aisle, to all those who vote to spend and spend and spend, I say we now are at the point where we have to figure out how we are going to pay for it. The same gentlemen who voted for that are the ones who say, we do not want to pay high interest. Yet it is, because of the fact that we have been financing these programs through bonds through deficit financing that we have this high interest. So, we cannot do it in that fashion. We cannot issue more bonds because we are having a difficult time even marketing the bonds that we have to float now. There is only one other way, and that is to raise taxes. And, I want to say this to the members of the committee, that we are reaching the point—and this is Democrats as well as Republicans who have dug into these fiscal affairs who are telling you this, from your own side, the chairman of the Committee on Ways and Means—where our tax rate and our tax structure is so high now that it is badly eroding the private economy, which, after all, is the main sources of taxes. So, we are in a position where even now it is a question whether we should raise taxes. And;

I sympathize with those who say if we raise more taxes through the gasoline tax, that it is a dangerous thing. That is so because our tax rate is already so high, but even more dangerous is the use of bonds.

There were only about 30 of us who stood up and warned on that point in 1958. Now we have to figure out how to pay for it. I, along with some others on the Committee on Ways and Means, voted for almost everything we could think of as a possible way of financing this ill-advised expenditure. But I want to warn on another matter. We are only solving a temporary problem, with this 1-cent tax for a period of 22 months. We are waiting until the 1961 report comes to the Committee on Public Works for a thorough study of the expenditure side of this program, to find out just what in the name of Heaven we are going to do.

If it is going to cost us \$35 billion for 40,000 miles of highway instead of \$25 billion that we financed and set it up for, maybe our people do want the \$35 billion worth of roads. But if they do we are going to have to figure out how we are going to pay for it, or maybe the people will say we had better stretch this out or cut it out. But that problem we are not solving here today. We are only solving an immediate problem to finance the contracts for which we have already committed ourselves and to avoid the economic damage of cutting back completely a program that has already started.

If we do anything here today not only will we default on \$250 million of commitments, but we will cut the program back for a period of 9 or 10 months when nothing will be done. That will produce economic waste and economic damage.

So we will solve our temporary problem by enacting this bill today and for that reason I urge its adoption. But let no one think that we are solving the real problem. The real problem is still to face us. We are going to have to get this thing on an intelligent, pay-as-you-go basis, in my judgment.

Mr. SCHERER. Mr. Chairman, will the gentleman yield?

Mr. CURTIS of Missouri. I yield.

Mr. SCHERER. The gentleman from Oklahoma [Mr. EDMONDSON] bitterly attacked the President's position. Has not the President retreated considerably from his position in this matter? The gasoline tax only goes for 22 months and will raise only \$1 billion, whereas he agreed to transfer from the general fund excise taxes in the amount of \$2.5 billion?

Mr. CURTIS of Missouri. The gentleman is entirely right. And, furthermore, the President's position was only that we should get the revenue.

Mr. JONES of Alabama. Mr. Chairman, I yield 3 minutes to the gentleman from Nevada [Mr. BARING].

(Mr. BARING asked and was given permission to revise and extend his remarks.)

Mr. BARING. Mr. Chairman, I was happy to hear the gentleman from Oklahoma [Mr. EDMONDSON] finally blew the top off this debate. I have listened to some pretty mild remarks from both

sides for the past 2 hours and I do not think we have even touched the issue until this time. I think that we should not kill the thief but take care of our money.

Why are we considering an increase in the gasoline tax? Where is the money that was in the highway fund? I'll tell you where it has gone.

There have been vast expenditures and expensive real estate deals through the very centers of towns as small as Reno, Nev., and there have been expensive interchanges in cities and towns and elaborate superstructures and bridges that could be avoided by proper planning. There have been tremendously high administrative costs excessive to any reasonable requirement. The President warned against expensive real estate deals, and still that is exactly what is happening today. That is where the money has gone, and that is why we are here today arguing this bill.

It is about time Congress should look over the shoulder of the Bureau of Public Roads, Bertram Tallamy and Frank Turner, to see what they are doing.

I am telling you that there is going to be a complete investigation not only in the State of Nevada, where we have already had a bitter 3-year fight, where they tried to build a Chinese wall through the center of our little town at a cost of \$50 million—\$50 million, gentlemen, for 4½ miles of elevated jungle. That would be nearly \$10½ million per mile. The people of Reno do not want it. Eighty percent of the citizens signed petitions saying that they would rather not have any freeway at all than to have the town ruined. And why was this forced upon them? Because the Bureau of Public Roads told the Board of County Commissioners that they had to take a route leading to the center of Reno or have no Federal funds at all. I have telegrams signed by Frank Turner and two other Bureau engineers to prove it.

And let me remind the Congress that this happened 4 months before a public hearing was held. Part of this route was actually approved by the Bureau of Public Roads before the hearing. All this is in violation of the Federal law. But there have been further violations, not only in Reno but all over the country. In Reno there was no consideration by State or Federal officials of the economic impact on the community.

The people of Reno are fighting mad. I have had letters and telegrams from Omaha, from San Francisco, and from Sacramento, I know of a scandalous situation in New York and New Jersey that definitely should be investigated. Henry Such Smith, who has proposed the revitalization of route No. 22 in New Jersey and the Liberty Bridge across Upper New York Bay, says in this connection:

Lack of public attention and effective means to cope with misleading or fraudulent reporting of technical and economic fact by constituted authorities and their consultants is the greatest single threat to our economy, our children, and our national security.

The entire situation approaches a national scandal and I hope that this Congress, through the Committee on Public

Works, that has set up a special subcommittee to look into these matters, will make a thorough study of the activities of the Bureau of Public Roads. The people of this country are entitled to know how their money is being spent. They are taxpayers and they have to pay for all this. This is not a matter of party politics. Let us get down and clean house.

Mr. SCHERER. Mr. Chairman, will the gentleman yield?

Mr. BARING. I yield.

Mr. SCHERER. Does the gentleman realize that the Bureau of Public Roads only carries out the laws that this Congress enacts and that it is actually the State highway departments themselves who construct these roads and determine where they go?

Mr. BARING. The State highway departments and the Bureau of Public Roads are in cahoots all the way across the Nation.

Mr. AUCHINCLOSS. Mr. Chairman, I yield such time as he may require to the gentleman from Wyoming [Mr. THOMSON].

(Mr. THOMSON of Wyoming asked and was given permission to revise and extend his remarks.)

Mr. THOMSON of Wyoming. Mr. Chairman, continuation of the highway program and the deficiency in the highway trust fund is not a problem that suddenly confronts us, even though it is just now coming to a real showdown. In 1958, when the temporary acceleration of the program was passed, the thinking person knew that this was going to push us into a deficiency. It is unfortunate, in my estimation, that those who pushed the depression panic button for what were, in a large measure, political purposes, a year ago prevailed.

Those of us who voted against the conference report last year which did this might well take the position that we did not contribute to the situation, so we can with good conscience vote against this bill and say that any effect as far as continuing of the highway program is no fault of ours. In this I cannot agree. The fact is that the action was taken by a majority vote of the Congress. That is water over the dam.

For the same reasons that I have voted to increase the debt ceiling, I propose to take responsible action as far as this problem is concerned. I believe in the necessity of the basic highway program, including the Interstate System, and the benefits that will accrue from it. To allow this program to disintegrate would be a national error.

It would be contrary to the public interest. We do have a present need for improved highways. Besides keeping faith with the contractors and other suppliers who have made their plans, in response to the projected program, a widely fluctuating level of construction would, in the long run, be more expensive to the taxpayer and contrary to the public interest.

In the national interest, we must have a highway program continued at a suitable level. I agree generally with the provisions of the bill, as to the level of

the program. This will provide for a program over the next 4 years at an approximate level of \$2 billion per year.

I thoroughly agree with the gentleman from Texas [Mr. ALGER] that we should fully investigate the operations of the program. I have been concerned about this for some time. As a matter of fact, it was discussed by many of us out of order in one of the recent meetings of the full Appropriations Committee. I am convinced that there has been widespread extravagance, and perhaps even mismanagement of funds. This must be eliminated.

That is not a solution, however. We must still have the expenditures at least at the level provided in this bill, to provide an adequate system of highways within a reasonable time, even if such abuses are corrected.

This must be financed from current revenues. I am unalterably opposed to further deficit spending by any name—front door, back door, or side door, or by revenue bonds or any other name that you call it, unless the needs for national security should change.

From the time that the President's message was presented last January, I took the position that we could, if we had the political courage, provide for adequate highways and other necessary and proper functions of Government without increasing taxes or resorting to deficit spending, by a third method of reducing spending for general governmental purposes in areas where there was excessive spending.

As a member of the Appropriations Committee of the House, I worked hard and long to bring this about. The efforts of the majority of the committee with the same purpose in mind resulted in substantial reductions in spending, which would have made this possible. This is true although in many instances we have appropriated more than myself and the majority of Republicans would have preferred.

In spite of the spender efforts by some Members of this body, and altogether too often on close votes, the action of the committee was generally sustained on the House floor. Even when the phony cuts are eliminated, the total cuts amounted to \$1,471 million, and even after increased back-door spending, over which the Appropriations Committee has no control, of \$150 million, is considered, there is still a net reduction of \$1,321 million, or almost three times the amount required for an adequate highway program without an increase in taxes.

Unfortunately, the other body did not show the same responsibility. They not only wiped out all of the House cuts, but went way over the budget requests, when the same adjustments are made.

The House conferees worked hard to bring this under control, but even after the conferences reported, we end up about even, on paper, and after the phony cuts are taken into consideration, we are over the budget requests by \$1 billion or more.

So, unfortunately, with this action, and with the action of the President in picking the wrong appropriation bills to

veto, the method by which our highway problems should really be solved—by reduced spending—is no longer possible. I will set this situation out in detail later, if time permits.

We must, therefore, increase taxes if we are to avoid deficit spending and still have the highway program. I am prepared to do this, in the hopes that it will provide the means of pointing out to the majority of the American people what is being done to them in the name of being done for them. I still, however, do not agree with the method of financing and the tax increases provided in this bill. I regret that the rule under which we are considering this bill does not permit the offering of amendments to change this.

In my opinion, we should vote a general tax increase, if the majority of Congress insists on raising taxes instead of reducing spending in other areas. I think it should be a general tax increase, because taxes collected from highway users on gasoline and other excise taxes already exceed the total outlay for all highways by \$1.5 billion. The excess spending that is causing the deficit is in other areas, and it should be financed by general taxes. As I have sometimes put it, what we need is an antidiversion policy with respect to all highway revenues.

I believe the argument that excise taxes and gasoline taxes should pay for part of the cost of general Government—by being diverted to the general fund—and all of the cost of highways, is unfair. I believe there are general public benefits from highways and if the users pay for all of the cost of the highways, they have done enough.

The fact that the highway users will pay excise taxes totaling \$74 billion over the life of the program contemplated by the Highway Act of 1956, and that only a part is allocated to the highway trust fund, should, I think, carry great weight as the House deliberates what action should be taken. I think the chairman of the committee, Mr. MILLS, was right when he stated that this is a matter that needs to be given consideration before any further burden is put on those highway users who are already helping to finance the highway program.

As a matter of fact, as a member of the House Appropriations Committee, I asked Secretary of the Treasury Robert Anderson on January 21 questions with respect to the highway trust fund.

I asked that the total revenue that comes from the highway users be supplied for the record, and Secretary Anderson answered:

You have about \$1.170 billion on passenger automobiles and you have automobiles and trucks, parts and accessories, but they are in the budget sheets. For that particular item there is no gross sum. I will be glad to supply it.

The data supplied shows:

Receipts of taxes on gasoline, diesel fuel, tires and tubes, tread rubber, the use tax on certain vehicles, and trucks (50 percent) which were transferred to the highway trust funds in the fiscal year 1958 amounted to \$2.116 million. Other taxes associated with automotive products—the taxes on passenger automobiles, parts and accessories for

automobiles, lubricating oils, and trucks (50 percent)—all of which have been effect for many years, yielded \$1,510 million.

This is a total of \$3,610 million, and far exceeds the amount required for the highway program.

It is unconscionable to me that the motorist pays \$3.6 billion in specific Federal automotive taxes when only \$2.1 billion actually goes toward highway construction. If the remaining \$1.5 billion which is now diverted for other purposes were rightfully spent for highway construction, it would keep the highway construction program on schedule.

The general fund gets 40 percent of automotive excise taxes now, which, in my opinion, is wildly excessive. This is why I stated during the House Appropriations Committee hearings after Secretary Anderson had given me the figures on the taxes, that "in 1956 when the Highway Act was passed, it was thought that we would be collecting this year \$3.183 billion. Even before the passage of that act, we were diverting these revenues to general governmental purposes. I hate to balance a budget by increasing taxes. I think that we need an antidiversion amendment."

Some very responsible people, whose judgment I highly respect, have opposed me in this position by saying that gasoline taxes and automobile excise taxes have historically contributed to the general revenues and should continue to do so. I cannot agree with them in this respect. As a matter of fact, if you really want to go into history, highways were originally built from general funds. Although the Federal highway aid program began in 1916, it was not until 1956 that we, in the 84th Congress, established the policy that users should pay the bill, by establishing the trust fund. Although a good argument can be made for building at least a portion of them from general funds, I still believe that users should pay the total cost.

There are general public benefits from good roads other than the benefits to the highway users. A businessman may not own a car or truck, but his customers come to him over the roads. An individual citizen may not own an automobile, but the necessities of life may move to him over the highways, the economy of his community is stronger and his community is a better place in which to live by reason of good roads, and he probably will not have to look too far to see where his own job is directly related to the road network.

If there is any doubt in our minds about the general public benefits, look at the statement in the 1956 act:

There shall be designated within the continental United States a national system of interstate and defense highways.

Defense is certainly in the public interest, and should be supported from general, rather than special, revenues.

Just to keep our history record straight, of course, the first Federal tax on gasoline was imposed long before 1956, in the year 1932, at a rate of 1 cent per gallon. Here, though, lies another reason why I question the advisability of the temporary increase in motor fuel

taxes to solve our present problems. That 1932 tax was a temporary emergency tax to balance the budget for one year, and went to the general fund. Each increase was for an emergency. Temporary taxes, though, have a habit of becoming permanent.

The argument that excise taxes on vehicles, parts, lubricating oil and fuel should contribute to the general revenues because other excise taxes go to general revenues, will not stand up. General public benefits from roads more than offset any such contribution that might be claimed, and if the highway users pay all of the bills for constructing the roads, that is enough.

This amounts to a Federal antidiversion policy, and I would like to call the attention of the Members to the fact that the general public support of this principle has been quite conclusively proved. Twenty-seven States have provided for antidiversion of highway revenues by constitutional amendment. This usually involves a vote of the people. Many other States follow such a policy by legislative action. I think we can be reasonably assured that if we want to represent the majority of the people, we will adhere to such a policy at the Federal level.

I further believe that we are very close to reaching the point of diminishing returns as far as increased revenues from increased motor fuel taxes are concerned. This House is well aware of the substantial movement to the small cars, and particularly the small foreign cars. It is generally agreed that a strong motivating force behind this has been the effort to get more miles to the gallon because of the increased cost of gasoline. Further incentive to move in this direction can only reduce the tax take from highway users, but even beyond that, it might well affect the income tax from American producers and American wage earners. Still further, it could become a real threat to our economy.

When I mention cost of gasoline, I think we must recognize the general public resentment for this situation. There has been altogether too much success in making the oil industry and the service station operator the whipping boy. One of these days, the American public is going to realize the true culprit is taxes, both Federal and State, and those in Congress will be required to bear their share of the rightful blame.

At the refinery, a gallon of gasoline sells for an average price of 11.07 cents. The average tax is 9.12 cents, or 82.38 percent of the total cost. If you make the tax 10.12 cents by adding 1 cent to the Federal tax, the gasoline tax would approach a 100 percent tax. Do the motorists in your district realize this, and if not, what will be their reaction when they do?

As a matter of fact, the return to the producer for finding, developing, and lifting to the surface a gallon of crude oil is roughly the same as the Federal tax on a gallon of lubricating oil, or the Federal and State tax on a gallon of gasoline. To heap additional taxes upon the users of this commodity is, to me, unconscionable.

Let us not forget that the States have some very real tax problems. In spite of the percentage distribution of costs on the Interstate System, the States are expending substantial sums on highways and streets, and have increased requirements. Several suggestions have been made for turning revenues over to the States to meet their problems. It hardly seems proper for us to further tax motor fuels, a traditional area of State taxation, when part of the revenue is in fact going for general support of the Federal Government.

Finally, I agree with the Chairman of the Ways and Means Committee that after providing in the 1956 Highway Act for a study of the relative benefits which will accrue to the various user and non-user beneficiaries of the highways, as a basis for determining the proper share of the costs to be borne by such beneficiaries, it would be untimely to increase the share of the user until the study has been completed.

Until that study is completed, or at least better facts are presented than have been to date, I will continue to support an antidiversion policy.

In the meantime, I think it is unfortunate that we are forced to vote to raise taxes on gasoline and motor fuel to provide the money for excessive spending in other areas.

One of the bills which should have been vetoed was the Health, Education, and Welfare bill, which was \$259 million over the budget requests for this year alone. That will be a built-in increase in next year's budget, for it will be the basis of the request. That this has been going on is proven by the fact that the Health, Education, and Welfare money bills have increased from an appropriation of \$1.7 billion in fiscal year 1951 to almost \$3.5 billion for this fiscal year.

Because the majority of the Democrat Party refuses to come to grips with the farm problem, the cost of the Agriculture Department's programs has increased from \$736 million in fiscal year 1951 to \$4 billion this year. It is programs such as these that need to be studied with an eye to cutting down on bureaucratic irresponsibility.

What I refer to as a phony cut in an appropriation act is a cut in an item on which the spending is already authorized by Congress and sufficient funds were not provided to cover the bills as they became due. The phony cuts to which I referred earlier are these:

Department of Agriculture and Farm Credit Administration Appropriation Act: Commodity Credit Corporation: Restoration of capital impairment.....	\$100,000,000
Department of Commerce and Related Agencies Appropriation Act: Maritime activities, operating-differential subsidies.....	1,250,000
Independent Offices Appropriation Act:	
Civil Aeronautics Board, payments to air carriers.....	4,118,000
Federal Aviation Agency: Grants-in-aid for airports (liquidation of contract authorization).....	2,500,000

Independent Offices Appropriation Act—Continued	
Housing and Home Finance Agency: Annual contributions. Public Housing Administration.....	\$4,000,000
Veterans' Administration: Compensation and pensions.....	7,000,000
Taken from Defense Production Act funds (stock funds).....	179,000,000
Development Loan Fund advance request by President for fiscal year 1961.....	500,000,000
Total.....	797,868,000

The increase in backdoor spending to which I referred in the amount of \$150 million is \$100 million for veterans' housing direct loans, and \$50 million increased spending for public housing.

Taken together, these total \$947,868,000. Apply these to the tables appearing daily on the back page of the CONGRESSIONAL RECORD, after eliminating the supplemental appropriations, and you will see why we are approximately \$1 billion over the budget.

That is why we must have additional revenues to finance the highways. I still insist, though, that we have gone over in other areas. We collect more than enough from the highway users to pay for the highway program. What we should follow is an antidiversion policy with regard to highway revenues, and if the majority are going to insist on these other programs that really throw the budget out of balance, then we ought to vote a general tax increase to pay the bills.

I would like to see this put to a test vote. Unfortunately, this bill does not permit doing such. Although I dislike being "boxed in," so to speak, I think that the highway program is of such importance and I am so opposed to deficit spending that I think we must pass this bill as a temporary means of continuing the program at a suitable level. Because the bill does not really take care of the situation for anything more than twenty-two months, next year we will have the same problem before us. At that time, I hope we can take more appropriate action.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. Knox].

Mr. KNOX. Mr. Chairman, there is possibly little left to be said that has not already been said as far as the need for this legislation. It is necessary so our Interstate Highway System and our ABC roads may proceed as Congress had intended. I regret the statement that was made by my good friend, the gentleman from Oklahoma. The gentleman in his statement certainly endeavored to shift the duty and the responsibility of the Congress by implying that this was an Eisenhower tax program. May I say this legislation is here today as a creature of the Congress—caused by the Congress and voted for by the Congress. It is our creature—we created it. In our creation of this problem, we incurred an additional expense that must be paid by the people of this Nation in expediting highway development in the 1958 High-

way Act. As a consequence we are today faced with the problem of providing the necessary funds in order to continue the program. Some might say what we should do is to issue highway bonds and put this program on a bond financing basis over the period of time involved in the development of the Interstate System. I want to say to you in all earnestness that this program must be taken care of by current taxation, if we expect that we are going to be able to continue to meet our obligations. Just a few days ago, the Committee on Ways and Means was informed by the Bureau of the Budget that in accordance with the commitments the Congress has made, you are not going to have a \$77 billion budget in 1960, but you are going to have an \$80 billion budget. If things continue at the same rate as commitments have been made and there is not some contraction in Federal spending, we will have an \$82 billion to \$83 billion budget in 1961. So, therefore, how are we going to be able to divert those funds from the general fund, as provided in this legislation, and meet the obligations that we, the Congress, have incurred? This is our responsibility and we certainly should have the moral courage to pass this legislation. I might say I am just as allergic to new taxes as any Member of this House. I do not like new taxes, but I will say this. I will support new taxes when the Congress has obligated the administration to the expenditure of funds beyond the revenues that are available in order to meet the problem.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. KNOX. I yield.

Mr. GROSS. I know the gentleman's position in opposition to the annual multibillion dollar foreign-aid program. Does the gentleman know how many hundred of miles of highways we have built in foreign countries?

Mr. KNOX. I cannot give you the number of miles, but I do know we have built and extended many highways in foreign countries. I am sure that the careful study the gentleman has made of foreign aid that he probably is aware of the answer to his question.

Mr. GROSS. Does the gentleman know of any gasoline tax that has been levied from which to obtain those funds?

Mr. KNOX. There have been no gasoline taxes levied on foreign nationals to pay for the roads paid for by foreign-aid funds.

Mr. GROSS. Those funds come out of the general funds of the U.S. Treasury; do they not?

Mr. KNOX. That is correct.

Mr. GROSS. So the talk this afternoon about the irresponsibility of going to the Federal Treasury applies only to highway projects in this country; does it not?

Mr. KNOX. The gentleman possibly is aware of the fact that I have not supported the foreign-aid program.

Mr. GROSS. Yes, I said so in the beginning and I want to compliment the gentleman for that position.

Mr. KNOX. And I want to make it clear also that while I do not favor additional taxes, I do believe it is essential

that we continue our highway program with the framework of fiscal responsibility.

The CHAIRMAN. The time of the gentleman has expired.

Mr. FALLON. Mr. Chairman, I yield 2 minutes to the gentleman from West Virginia [Mr. BAILEY].

Mr. BAILEY. Mr. Chairman, I commend the members of the Committee on Public Works and the Committee on Ways and Means for bringing to the floor of the Congress what appears to be a temporary solution of the dilemma in which we find ourselves on our interstate highway program. The chairman of the Committee on Ways and Means said he was bringing this legislation forward most reluctantly. Let me add, I am supporting it most reluctantly.

I think, Mr. Chairman, the Congress made a mistake in 1956 by not setting up a national board to control the allocation and the selection of these interstate highway routes throughout the Nation. Let me tell you a little of what is going on over in my State.

The State highway commission, the Bureau of Public Roads said, had the privilege of selecting where the route should be. In my State of West Virginia our State roads commission is seriously considering building a four-lane interstate highway through our State capital city with a population of 100,000 in which they will be forced to move 1,400 residential and business properties. It is estimated that the cost will run \$36 million more than if they use a bypass choice of highway route instead of cutting it through the capital city of the State of West Virginia.

I could go on and give you numerous other instances that are happening and show you what we are doing. We have turned the management of this program over to a bunch of statehouse politicians and fat-cat real estate dealers in every State. It ought to be run by the Congress and not by the Chamber of Commerce. I hope that at the next session of Congress we will set up some kind of national board to control those situations.

Mr. FALLON. Mr. Chairman, will the gentleman yield?

Mr. BAILEY. I yield.

Mr. FALLON. May I say we have set up two special committees to investigate the very things the gentleman mentioned.

Mr. BAILEY. I am very glad to hear that.

Mr. AUCHINCLOSS. Mr. Chairman, I yield myself 1 minute.

Mr. Chairman, I take this time merely to express the appreciation of the members on the minority side of the Public Works Committee for the cooperation we received and the very intelligent way in which this legislation has been handled by the majority not only in the Public Works Committee but also in the Ways and Means Committee. They have brought to the floor of the House a bill that does not please everybody, but it is the result of a great deal of study, a great deal of time and thought, and I think the majority party is to be complimented on the bill they have produced.

Mr. Chairman, I yield such time as he may desire to the gentleman from Illinois [Mr. HOFFMAN].

(Mr. HOFFMAN of Michigan asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. HOFFMAN of Illinois. Mr. Chairman, I, too, am for the continuing of the great highway program. However I believe a 1-cent increase in gas tax would be most unfair to the highway users for two reasons. First, the highway users are already contributing more than their share. Second, we would be invading the field of the States in the taxing area. Where else can the States raise their share of the money?

I have voted against most of the subsidies proposed so far in this session of Congress. Had we removed or reduced these subsidies we would have plenty of money for our road program. Our money subsidizes roads, bridges, and public works in countries all over the world. I favor keeping some of this money here and build our highways instead of raising the tax.

My votes in this session show that I believe in policy.

Mr. AUCHINCLOSS. Mr. Chairman, I yield to the gentleman from Michigan [Mr. KNOX].

(Mr. KNOX asked and was given permission to revise and extend his remarks.)

[Mr. KNOX addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. AUCHINCLOSS. Mr. Chairman, I yield 5 minutes, the remainder of my time, to the gentleman from Texas [Mr. ALGER].

(Mr. ALGER asked and was given permission to revise and extend his remarks.)

Mr. ALGER. Mr. Chairman, fiscal responsibility can be measured not only by a balanced budget but in taxpayers getting their money's worth. There is no certainty in my mind, as there should be when increasing taxes, that, in view of increasing highway expenditures and estimates, the people are getting their money's worth in our new gigantic highway program, and that therefore higher taxes are in order.

My views on this subject are contained in the report on page 33. There is the general statement, supplemental view, separate views, and minority views, and all of these recognize the need for a continued program of highway construction. Everyone is for highways. I wrote the minority views, yet I am wholeheartedly for highways.

Simply stated, I want more for our money. My views result from my belief in the pay-as-you-go principle, and I was among those recommending this action when the present program was conceived, as a member of the Subcommittee and Committee on Public Works responsible for the expanded Interstate program. Further, I believe in a balanced budget and fiscal responsibility, with a voting record to match.

Then, why oppose the tax increase since I believe in pay as you go and a balanced budget? I am opposed to the tax increase because I do not believe we

are getting our money's worth. The very reason that the program is out of kilter this year is because of the antirecession spending speedup last year, which, then, I heartily opposed. The antirecession spenders recommended hurried highway contracting, but failed to provide the necessary revenue to pay for it. It was no secret then, nor is it now, that increased spending requires increased revenue and that you do not solve problems, including that of unemployment, by throwing Federal money at it. Nor was it a secret then that increased spending would require increased revenue. The success of the antirecession spenders, who failed to think about the necessary revenue, is the reason we are here now. Worse still is the inevitable result that in hurried spending, waste, mistakes, and indeed, windfalls will result, all resulting in the taxpayers not getting their money's worth.

The staggering increase of estimated cost in the interstate program of almost \$12 billion in 2 years is reason enough for our demanding an accounting now, not later. Highway construction is nothing new to government at all levels, and errors, if any, for incorrect computation, should not be of such magnitude. Or again, why did costs increase 12 percent between 1954 and mid-1956 while this great program was being shaped here in congressional committees—see House Document No. 300, 85th Congress—A Report of Factors for Use in Apportioning Funds for the National System of Interstate and Defense Highways? Why have wages gone up 5 to 7 percent under Davis-Bacon? How much has utility relocation reimbursements cost, and should this be continued or repealed? Why should the 90-10 Federal-State matching ratio result in right-of-way purchase windfalls? Why indeed should any waste or inefficiency be tolerated? Why should we rush to cover up such errors wherever they are by saddling more taxes on the taxpayer without first a detailed accounting by the Bureau of Public Roads, who should be riding herd on the States.

Yes; I am uncertain concerning the "whys" of soaring expenditures in highways and to my knowledge so are many others on the committee and of those who testified before our committee.

I, for one, will not condone or cover up uneconomical practices, nor will I assume that they are not there when hastily we decide it is easier not to analyze the cost, just up the ante of the taxpayers.

Nor should my position give any comfort to the big spenders. My position is based, as it always has been, on reduced Government spending for less essential items. When faced with Government spending programs, we must either increase taxes or reduce costs, that is, get more for our money. I am against raising taxes and for reducing the spending in less essential areas, and, most of all, for demanding our money's worth through sober study and analysis, not through hasty action.

Therefore, I propose, as found on page 35 of the minority views, these steps of action:

First. The Congress should make a careful analysis of all highway costs,

particularly all cost increases. Why, for example, was there a 12-percent cost increase in interstate highways between 1954 and 1956?

Second. We should pay out of the Treasury whatever sum is necessary to make good all existing contracts. Congress must cutback on less essential expenditures.

Third. If additional revenues are required, the appropriateness of greater utilization of existing highway-user taxes for highway purposes should be considered; this should be conditioned on a lower level of general Government expenditures. In essence taxing is the expedient way; achieving lower costs is the hard but proper way.

Fourth. The Nation's road needs should be revalued on a priority basis. For example: Only highways having a traffic count beyond 5,000 or 6,000 vehicles per day should have priority to become multilane—others can be postponed; in actual construction, the basic engineering and geometric design can be accomplished now with the frills added later.

Fifth. We should budget by a yardstick of the dollar amount rather than mileage.

Sixth. We should change the 90-10 Federal-State ratio to 75-25 or some other ratio providing greater State participation in the cost of highway development. This would improve administration and construction efficiency and would tend to reduce costs attributable to right-of-way acquisitions.

Seventh. Study should be given to the implications of repeal of the Davis-Bacon wage-setting provision which has resulted in an arbitrary increase of wages of 5 to 7 percent.

Eighth. Study should be made of the implications of leaving to State determination the assumption of costs of utility relocation.

Ninth. Study should be given to a possible stretchout of the program.

In summary, I believe that providing more money at this time to continue possible wastefulness and an unsound program is wrong. The time to investigate is precisely when mistakes and inadequacies are suspected. The terrific increase of estimated cost and expenditure in highway development suggests immediate study is necessary before more money is poured into the program. At best, the study I recommend is long overdue.

I want to commend all those, including the President, for valiant efforts in balancing the budget. I, for one, am tired of footing the bill of big spenders. My program and belief is for less taxation and more value, based on facts. The facts must come from a cost analysis now of highway Federal expenditure—right now. Or we will be right back here again—same subject, same problem year after year.

Mr. FALLON. Mr. Chairman, I yield such time as he may desire to the gentleman from Florida [Mr. HALEY].

(Mr. HALEY asked and was given permission to revise and extend his remarks.)

Mr. HALEY. Mr. Chairman, I am a strong advocate of an adequate public

highway system. We must have good roads and I fully recognize the need for better highways. However, I am strongly opposed to the bill under consideration because it is not a bill to provide more and better highways in the future, but rather a means to increase the tax burdens, which is already too heavy, on the backs of the motoring public.

The users of the highways, the motoring public and the truckers, have been bearing a heavy tax burden in the form of special levies on motor fuels; new vehicles; tires and tubes; parts and accessories and lubricating oil since the Federal highway program began in 1917. Yet, we have applied a very small percentage of the amount collected from these levies toward the building of better highways. In fact, up to the time the Federal-Aid Highway Act of 1956 was adopted, the Federal Government was collecting approximately \$2 billion per year more than was being authorized for highways. Even though by enacting the Federal-Aid Highway Acts of 1956 and 1958, the Congress sought to provide adequate funds for the building of a greatly improved highway system, the money set aside in the fund has not been used exclusively for the highway program. Rather, it has to a great extent been loaned to the general fund. As a result, we now find ourselves in the same condition with which we were faced before the acts of 1956 and 1958.

If the program cannot be financed under the present 3 cents per gallon rate, why was not Congress advised of that before now? Certainly, the Congress should have been informed of such conditions at the time the present tax was levied. I suggest that the present rate is sufficient because if all the income derived from the present levies were used exclusively for the highway program, we would have more than adequate funds for an excellent highway system. Does the present bill correct unsound budgeting for the highway program? No; it definitely does not.

Secondly, the committee amendment which would provide for reimbursement to the States for every portion of a toll or free highway bridge or tunnel within the State which is on the Interstate System is estimated to cost in excess of \$4.3 billion. Can anyone argue without successful contradiction that this amendment will provide better highways? Certainly not, for under this reimbursement scheme, we would simply be helping the States finance the construction of highways already in existence or under construction.

To require the highway user to pay in the future for past or present construction is not to provide for future highway construction.

A third objection that I see in the bill under consideration is the fact that under the present system, money has been used toward the building of city streets which involve increased costs. Now, certainly I do not propose to eliminate city streets. The cities have been having difficulty in the financing of city roads, and I want to see that the cities are given as much assistance as possible. Nevertheless, the building of city streets

falls within the function of the city. To include such city streets, at considerably higher cost than open highways, in the Interstate Highway System simply reduces the number of miles of better roads that may be built.

Finally, I strongly object to this bill because it is one of expediency. The committee report clearly reflects that fact by stating that "certain" problems have been revealed in this program with respect to which congressional action is needed. The report does not set forth these "certain" problems, but it does set forth the fact that the majority of the committee does not feel attempts to resolve "all of these problems" should be undertaken at this time. I maintain that if there are problems that need to be resolved, now is the time to do so without increasing the already heavy tax burden placed on the users of the highways. In fact, I suggest that the committee immediately take appropriate action and thoroughly investigate the whole program.

I think the American motorists have a right to know the facts concerning these problems now before being saddled with additional taxes. I think the highway user whose money has been appropriated deserves a better break than he is getting in the way of a reasonable return for his tax dollar. I suggest the Congress should take action in this matter and solve these certain problems first before taking any steps to increase the tax burden. This bill is not the solution. It is only an expedient tax measure and will only delay the solving of these certain problems to which the committee report refers.

Mr. FALLON. Mr. Chairman, I yield 2 minutes to the gentleman from Pennsylvania [Mr. DENT].

Mr. DENT. Mr. Chairman, I want to speak about a phase of this matter that has not already been covered.

Yesterday I received a telephone call from a gentleman out on the west coast, a man I did not know, but he happens to be a reinforcing steel producer, one of the 10 percent of steel production that is still working at this time, although there is a strike on.

There is a steel strike on, and here is a steel man having difficulty. He is having difficulty because of the importation of steel from Japan, and he has asked me to see whether or not this Congress would consider making the Buy American Act applicable to this \$31 billion road program. He suggests that he cannot get relief under the escape clause, and he cannot get it because they have ruled this particular steel item has to come in with 100 percent of the producers agreeing that the tariff restriction must be raised and they cannot do that because two of the producers cannot bring in per-ton prices, due to the fact that their production of reinforcement steel is combined with their other production. Therefore, all of the producers are denied the protection, this meager protection, of the Buy American Act.

Mr. Chairman, I want to call your attention to the fact he is faced with 44-cent labor as against \$3.39 labor, he is faced with a \$35 per ton differential. On the day that the steel mills of this Na-

tion were shut down the public press carried the news that 200,000 tons of steel were laying offshore from every one of the main seaports of this great Nation of ours and that the price of import steel went up exactly \$9 a ton the day the strike was called.

I appeal now to the chairman of this Committee on Public Works and the chairman of the Committee on Ways and Means to go to the Senate and appeal to the Senate for this particular phase of the law to be enacted.

With the present situation apparently stalemating the relief required by the reinforcing steel manufacturers through the Tariff Commission, there is only one hope of even a small measure of relief and that is through the mandatory application of the Buy American Act on all purchases and so forth, under the authority contained in this act for a \$31 billion expenditure.

To do less than this is so patently dishonorable that this Congress will never be able to justify its failure to take cognizance of this oversight in the original legislation.

If every Member of this Congress will take time between now and January when we reconvene to read a copy of the Import Bulletin put out by the Journal of Commerce, New York, I am sure there will be a new view taken of this so called reciprocal trades and foreign aid.

Every ship from every country is dropping its cargo onto our shores to add to our already overstocked supplies.

When has any country survived with a trade policy that allowed competing producers to ship into its markets underpriced goods in competition with domestic production which is already producing a surplus.

When this Nation awakens it may find itself on its economic knees unable to get back on its feet.

There is a time and place for charity, but certainly not to nations that have no unemployment, lower taxes and unrestricted exploitation of its labor force.

I certainly pray that this Congress keeps its eyes open or before we know it Mr. Khrushchev will mesmerize our country into opening our markets up to their slave labor production.

I again appeal for help with the Senate committee.

Mr. FALLON. Mr. Chairman, I yield such time as he may desire to the gentleman from Connecticut [Mr. MONAGAN].

Mr. MONAGAN. Mr. Chairman, I am supporting H.R. 8678.

This bill will make possible a continuation of the Federal highway program substantially in its present form and volume of construction.

The continuation of this program is vital to many areas of the fifth district of Connecticut and in particular to the metropolitan area of Waterbury, Conn.

I regret the necessity of making any increase in taxes at this time, but it is logical to place the burden of this tax upon those who use the highways and I see no alternative other than the discontinuation of highway construction.

I am pleased that the Ways and Means Committee reduced the tax increase

from 1½ cents to the presently recommended 1-cent increase. This certainly made the proposed legislation easier to support.

An added incentive to support this legislation was Governor Ribicoff's approval of it and his expressed belief that it was necessary to continue a proper long-range highway building program for Connecticut.

(Mr. MONAGAN asked and was given permission to revise and extend his remarks.)

Mr. FALLON. Mr. Chairman, I yield 1 minute to the gentleman from Illinois [Mr. PUCINSKI].

Mr. PUCINSKI. Mr. Chairman, I would like to call attention to a survey conducted by the Chicago Motor Club among its 265,000 members which, if projected, would show that 90 percent of them are against this proposed tax increase because they regard the proposed increase as discriminatory.

Mr. Chairman, I have here a letter from the Chicago Motor Club, which reads as follows:

CHICAGO MOTOR CLUB,
Chicago, August 25, 1959.

The Honorable ROMAN C. PUCINSKI,
House Office Building,
Washington, D.C.

DEAR SIR: A recent survey among some 20,000 of the Chicago Motor Club's 265,000 members, has proved that an overwhelming majority are bitterly opposed to any gas tax increase. The suggested Federal increase is regarded as part of a pattern developing throughout the country to "soak the motorist" to pay the entire cost of highways, to subsidize transit and some public utility interests, and other public facilities not related to highway improvement.

A projection of the 20,000 members surveyed indicates that more than 90 percent of our 265,000 members are cool to the plea that the highway program will be imperiled. They regard the proposed increase as outrageous discrimination. They believe the motorist has been overtaxed already. They assert unmistakably it is unfair for the motorist to pay the entire cost of building highways.

Highway users comprise only one of the segments of our economy which benefit directly from improved highways. Our Federal-Aid Highway System—and particularly our 41,000-mile National System of Interstate and Defense Highways which is the subject of current Federal legislation—is not being built for the benefit of highway users alone. It is being built to meet the essential needs of our growing economy, our expanding population, and civilian and national defense; and yet not one cent of defense money or general tax revenue is put into the highway trust fund to help pay for this system.

What the Chicago Motor Club is seeking is tax equity among the various classes of highway users and non-highway-user beneficiaries. Studies by agencies of the Federal Government prove that there are many areas of our economy which benefit directly from improved highways, such as real estate, commerce and trade, public utilities, recreation, and many allied industries and activities.

To accede to the administration's proposal for a 1½-cent increase (or even a compromise of 1 cent) would mean a substantial increase in the Federal gas tax, and an average of 42 percent or 47 percent tax (State and Federal) on the retail price of gasoline, before taxes, making this tax the highest on any nonluxury commodity. Even though the increase in the Federal gasoline tax is supposed to be temporary—through 1964—the history of automotive

excise taxes proves that once a tax is imposed it is seldom reduced, much less repealed.

Congress itself recognized the lack of equity and fairness in the present tax structure when in the 1956 Highway Act the Department of Commerce was directed to study tax equities among the user and nonuser beneficiaries. These studies will not be completed until January 1961. That is the time to review the financing of the entire Federal-aid highway program.

In the meantime, the meet the immediate highway emergency, we advocate short-term revenue bond financing to meet deficits in the highway trust fund for 1960 and provide adequate apportionments for fiscal 1961 and 1962.

Such a financing plan has been proposed by Senator FRANCIS CASE of South Dakota, in Senate Joint Resolution 109, pending before the Senate Finance Committee. The short-term revenue bonds issued under the Case plan would be payable, both as to principal and interest, solely from the funds in the highway trust fund.

The Chicago Motor Club and the American Automobile Association have supported highway programs for a half century. At times we have recommended gas tax increases—the AAA on a national basis, the Chicago Motor Club locally. The reasons given in the paragraphs above present our reasons for opposing the proposed increased taxes.

Sincerely,

J. J. CAVANAGH,
President.

Mr. BLATNIK. Mr. Chairman, will the gentleman yield?

Mr. PUCINSKI. I yield to the gentleman from Minnesota.

Mr. BLATNIK. The gentleman from Illinois read a very interesting letter. I must say that the members of the Chicago Motor Club are underestimating what the highway users of America are paying. Do I understand that the members of the Chicago Motor Club state they were not in favor of having the highway users pay the entire cost of the highway program?

Mr. PUCINSKI. Would the gentleman restate that question, please?

Mr. BLATNIK. Do I understand your Chicago Motor Club members as saying they are not quite clear in their own minds that they already are paying for more than the entire cost of the highway program of America?

Mr. PUCINSKI. As I understand the result of the survey, they do not feel that the motorists should be taxed to carry this entire program which is being built as part of our national defense system.

Mr. BLATNIK. Well, let us have the RECORD show, then, for the information of your very modest members of that club, that the highway users of America are going to pay for every inch of the ABC and on the Interstate Highway System of America.

NOW IS THE TIME FOR A PAY-AS-YOU-GO ROAD PROGRAM

Mr. PATMAN. Mr. Chairman, the Ways and Means Committee is to be warmly congratulated for recommending this bill.

We hear it said sometimes that committees of Congress, and Members of Congress, are inherently handicapped in trying to conduct the Government's fiscal affairs in the best and most intelligent way, simply because it is "political suicide," as they say, for Members of Congress to support unpopular tax in-

creases—and almost all tax increases are unpopular—despite the fact that there are times and circumstances when our good judgment tells us that the country's affairs ought to be on a pay-as-you-go basis.

In bringing forward this bill, the Ways and Means Committee and the Committee on Public Works have again proven that committees of Congress, and Members of Congress, are entirely capable of acting on the best economic intelligence and judgment, and can steer the course that is in the best interest of the country despite the fact that they may alienate unthinking voters and voters who have become so enthusiastic about their particular cause that they have lost their perspective.

Clearly this is one of those times when the road program should be on a pay-as-you-go basis.

Personally, I have not studied the various ways by which the money might be raised, and possibly should be raised, to keep the program on a pay-as-you-go basis. There has been no practical alternative involving this question. Compromises have to be made, otherwise we would never have any legislation, and the practical courses which are open to us are either, first, accept this particular tax; or, second, finance the program by issuing more bonds and going further into debt.

As to a third possible alternative, which is to cut out the road program, very few people would agree to that. The country needs the roads, and needs them very badly. It would be poor economy for everybody if the program were curtailed.

As between following a pay-as-you-go policy and following a policy of going further into debt at this particular time, the choice which is in the best interest of the country is clear. If we were to go further into debt, issue more interest-bearing bonds, this would cost the taxpayers at least \$2 for every dollar's worth of roads. It would mean that the taxpayers would have to pay for 82,000 miles of road to obtain 41,000 miles of roads.

And, of course, there is much more to be considered than the fact that issuing bonds would cost the taxpayers double. The Federal Government is committed to the proposition that it will conduct its fiscal affairs, and all its affairs, in ways to maintain maximum production, employment and purchasing power. This commitment is formally expressed, of course, in the Employment Act of 1946. It is a commitment to a policy on which we all pin our hopes that we can avoid serious recessions and depressions in this country and avoid all the hardships, human suffering, and threats to our system which such disasters involve.

We all recognize that carrying out this policy that the Federal Government has to conduct its fiscal affairs in ways which tend to counteract and control the ups and downs of the business cycle. It means that the Federal debt will have to be increased in periods of recession and high unemployment. But it also means paying off some of the Federal debt in boom periods. At present the

economy is in a state of high production—some people call it a "boom." Certainly, then, this is no time to issue more debt. It is a time when the Government should be on at least a pay-as-you-go basis.

Again I congratulate the Ways and Means Committee and the Committee on Public Works. I will vote for the bill.

Mr. JENSEN. Mr. Chairman, I have constantly taken the position that I would not support any bill that would increase taxes or that would impose additional expenses on the people.

However, in regard to this bill which provides for an additional 1 cent Federal tax on motor fuel, I must take the position that those who use the highways should pay for these highways in proportion to use of the roads instead of making a direct appropriation for this purpose for every taxpayer to pay and for their children to pay.

Also, Mr. Speaker, I am one of the great majority who believes that Uncle Sam should always keep his word. Now here is the situation. Many contracts have been entered into between the Government—Uncle Sam—and the contractors and those contracts provide that the money will be available to pay the bill as provided in such contracts. Hence, I am duty bound, as a Representative for Uncle Sam—the people—to support this bill.

Mr. STRATTON. Mr. Chairman, I rise in opposition to the bill H.R. 8678. I do so with some reluctance because, like every Member of this body, I am anxious to see the Federal Interstate Highway program continued and the benefits which it brings to the various sections of the country carried out in a regular and orderly manner. But I cannot agree with the method of financing recommended by the committee. In large part this is the same old approach of putting the burden of the highway program exclusively on the motorist through still another boost of our already highly inflated gasoline taxes. But the interstate highway program benefits not only those who travel on these roads, but also those who live alongside them and those who opportunity for business profit is increased by them. For this reason it seems to me that before we make any further increase in the gas tax we ought first to explore means of shifting the burden more fairly or, even better, picking up the revenues for highway construction by careful reductions in unnecessary Government expenditures elsewhere.

In my State of New York, for example, there has been within only recent months a 2-cents-per-gallon increase in the gas tax. If this bill were to go through then our gas tax in New York State would increase to 10 cents a gallon, which would mean a tax of almost 50 percent on every gallon of gasoline. Certainly there is a point beyond which any tax ought not to go. When it comes to gas taxes, I feel that in New York State we have already reached that point.

Mr. Chairman, I have made a careful survey of my district on this matter and have invited my constituents to express their feelings to me on this tax. I can

report that the response was almost 4 to 1 against any increase in the gas tax.

I recognize that the bill as now amended includes a provision expressing the hope that Congress will some day provide reimbursement to States like New York that have already expended vast sums of money in constructing superhighways with their own funds like our great New York State Thruway. Earlier in this session, I submitted along with other members of the New York congressional delegation, legislation to provide for such reimbursements so that States like New York which have proceeded with highway construction without waiting for Federal funds would not be discriminated against in the carrying on of this program. Unfortunately, Mr. Chairman, the amendment which has been adopted does not represent the objective of this legislation which I introduced. There is many a slip between the cup and the lip. This declaration of intent, as far as the taxpayers of New York are concerned, accomplishes nothing at all, and I find it difficult to say how it can be used as a justification for imposing any additional gasoline tax, even if this tax is supposed to be a temporary one.

Moreover, the committee has just rejected an amendment to provide for the reimbursement of States like New York, which have already spent vast funds of of their own to construct superhighways without Federal aid. Without clear-cut legislative provision for adequate reimbursement to States like New York, how could I possibly vote to provide for additional Federal assistance taxes from the State which already pays 21 percent of all Federal taxes, while at the same time refusing to see that this same State of ours gets full and fair consideration.

My vote today represents my dissatisfaction with the particular solution proposed by the committee and with the conditions under which it has been presented to the House for action. I think it is clear we must learn to live within our income. If the highway program is important then I think it is time that we think of giving up some other expenditures in order to make it possible to continue the program.

I am particularly disturbed with the large percentage of taxes now being collected from the automobile owner, including excise taxes, that are still being diverted from the highway fund to other purposes. Before we vote to increase the gasoline tax I believe we should insist that all excise taxes on the motorists are turned over exclusively for highway construction purposes.

For these reasons then I intend to vote against the bill. This, I think is the proper course of fiscal responsibility. Yesterday we saw the public works appropriation bill rejected. That action makes it clear that the time is appropriate for a complete reappraisal of all our construction plans for the coming year. If we have the resources to construct highways in foreign countries, as we are proposing to do in the foreign aid program, then I find it hard to believe that we cannot construct highways in this country without raising taxes.

Mr. BLATNIK. Mr. Chairman, the controversy over highway financing began last January when the President submitted to the Congress his budget for fiscal year 1960. In a message accompanying the budget the President said:

In order to make highway-related taxes support our vast highway expenditures, excises on motor fuels need to be increased 1½ cents a gallon to 4½ cents. These receipts will go into the highway trust fund and preserve the pay-as-we-go principle, so that contributions from general tax funds to build Federal-aid highways will not be necessary.

In a deliberate attempt to mislead the people and becloud the issue the President and his administration have created the impression that unless the gasoline tax is increased there would not be any money for highway construction thus creating unemployment among thousands of construction workers and bankruptcy among contractors. Nothing can be further from the truth.

The Treasury Department is now collecting more than \$1.5 billion annually in special highway user taxes on new vehicles, parts and accessories, that is not going into the highway trust fund. The money goes instead into the general fund which the President does not want to disturb for obvious political reasons.

There can be no doubt that the administration's underlying purpose for insisting on a gasoline tax increase is to provide a surplus in the general fund. In that way the election year budget will be in balance and the people will be able to forget about last year's \$13 billion deficit—the largest in our peacetime history. And who pays for this political windfall? The average motorist—the highway user.

This tax goes against the grain of every fairminded person. A tax to be justifiable in the American scheme of things must be fair and necessary. This tax is neither. It is unfair because it falls on a select group and is not the responsibility of the entire economy and all the people. This of course should not surprise us. This administration's tax policies whether it is an increase or a decrease have always been unfair. When a tax is to be increased, as here, the burden falls on a select group. When taxes are to be decreased, as in 1954, the benefits go to a select group. But not the same groups, that is for sure.

The tax reductions of 1954 went largely to the upper income groups and giant corporations. I think in considering this tax increase before us we should think back to the tax decreases of a few years ago to bring sharply into focus this administration's attitude over who should get relief, when it is forthcoming, and who should get further burdens, when it is required in the administration's scheme of things. The following is a review of the 1954 tax cuts which was contained in a statement by Stanley H. Ruttenberg, director of research, AFL-CIO before the Committee on Ways and Means on the subject of general revenue revision:

REVIEW OF 1954 TAX CUTS

In 1954 the Congress overhauled the tax structure. The omnibus tax bill of that

year, combined with the automatic tax cuts of January 1, 1954, were a backward, not a forward, step. The tax base was eroded substantially by many of the actions taken by Congress that year.

A quick overall look at who received the tax relief in 1954 is shocking. With the help of our associates in the Washington office of the United Automobile Workers, we have calculated the effects of the 1954 tax law on taxpayers at various income levels.

This study shows, for example, that in 1954 the total reduction in individual income taxes came to \$4.6 billion. This tax relief was spread over 42.6 million taxpayers. At first glance, this seems to be a fairly generous average tax relief of \$108 per taxpayer.

However, a closer look shows that the 37½ million taxpayers having adjusted gross incomes of less than \$7,500 each received an average tax cut of \$45, while the 18,700 reporting adjusted gross incomes of more than \$100,000 had an average cut of \$19,300.

This type of distribution of tax reductions means that the low- and middle-income individual's tax burden becomes greater and greater, as more and more tax relief is given to the upper income group. This trend, not only in the Revenue Act of 1954, but in many of the revenue acts over the past 10 years or more, must be reversed.

In this testimony we want to focus attention on changes in the Federal income tax, which continues to be the mainstay of the national tax system.

Individual income taxes are responsible for an estimated 52 percent of the total revenues of the Federal Government during the current fiscal year. We want to demonstrate how changes in the tax laws approved by Congress in recent years, together with interpretative rulings by the Treasury Department, have had the effect of seriously undermining the entire foundation upon which the Federal income tax rests.

The net effect of these changes has been to corrupt what used to be the simple, guiding concept of income-tax levies—namely, that after granting to each individual a basic exemption to cover his elemental needs, the remainder of each person's income should be taxed according to the individual's ability to pay.

Moreover, these special provisions and rulings tend to perpetuate each other. When one group in a particular business obtains a special advantage, others in allied or competitive industries are pressed to seek the same advantage for themselves. The result is a vicious pyramiding of demands by pressure groups for special favors which the Congress finds it difficult to resist.

Careful examination of the individual income structure makes clear that the net effect of these special provisions has been to benefit the Nation's higher income groups, particularly the recipients of dividends and capital-gains income. These are the individuals who have benefited by this specialized legislation and interpretative rulings. It is widely recognized, for example, that the height of the absurdity in this regard was reached in the famous amendment that took care of the movie magnate, Louis B. Mayer. This amendment was specifically written to provide a tax benefit to only a single individual. Extending depletion allowances to oyster shells, sand, gravel, and such other items, or proposals to include income from turkey farming as a capital gain simply undermine the whole tax structure. These are but a few of the many examples that could be cited as illustrative of the problem.

We do know with certainty that very few of the changes in tax policy made since 1945 have provided any special benefits to the average worker or union member. We know from our own knowledge, and ample statistics are available to support our belief, that with regard to some of these special

provisions the average worker finds himself in the following position:

1. Dividend income: He owns little or no stock, and thus obtains no benefit from the dividend exclusion provision or the special tax credit for dividend income enacted as part of the 1954 law. Figures by the Federal Reserve Board from its 1957 Survey of Consumer Finances indicate that at least 90 percent of the average worker's income is obtained through wages and salaries. In the case of skilled workers, the figure is 94.5 percent. For semiskilled, 96.4 percent; for unskilled and service workers, 90.8 percent. The proportion of total income derived from rents, dividends, interest, and royalties combined is 1.5 percent for skilled workers, 0.4 percent for semiskilled, and 2 percent for unskilled and service workers.¹ (Undoubtedly a large part of the 2-percent figure for unskilled workers consists of rental income, rather than dividends or interest.)

Special investigations into the amount of stock which workers own show that very few workers or their families own any stock in publicly held corporations. Federal Reserve Board studies show, for example, that in early 1957 the proportion of spending units owning stock in publicly owned corporations is only 6.6 percent for skilled workers, 2.7 percent for semiskilled, and 2.9 percent for unskilled and service workers.²

As a matter of fact, individuals with adjusted gross incomes of between \$2,500 and \$5,000 receive only seven-tenths of 1 percent of their income from dividends and six-tenths of 1 percent of their income from interest, or a total of 1.3 percent of the income of this group is derived from interest and dividends.³

In contrast to this, individuals with adjusted gross incomes of \$100,000 or more receive 37.7 percent of their income from dividends and 2.4 percent from interest, or a total of over 40.1 percent.⁴

In addition to looking at the receipt of income based upon statistics of income, it might be interesting to see who owns the stock in American corporations. The 1957 Survey of Consumer Finances,⁴ made for the Federal Reserve System in cooperation with the survey research center of the University of Michigan, shows that only 11 percent of American families (spending units) own any stock whatsoever in publicly held corporations. This means that 89 percent of American families have no stock holdings at all. Of course, of those that do hold stocks, the greatest concentration is in the hands of those individuals with incomes of \$10,000 or more.

The 4-percent dividend credit and the \$50 dividend exclusion were written into the 1954 tax law as special provisions to aid the wealthy individuals and the limited few who own stock.

2. Depletion allowances: The average worker is not the proud owner of any oil wells. He cannot, therefore, avail himself of the very generous depletion allowance provisions of the tax law. Nor is he the owner of an establishment engaged in extraction of any type of mineral and metal, ranging alphabetically from asbestos to zircon, to say nothing of brick, clay, sulfur, gravel, and oyster shells—all of which are now covered, in one

¹ Source: Federal Reserve Board, unpublished data from 1957 Survey of Consumer Finances. Subject to considerable sampling error.

² Board of Governors, Federal Reserve System, Distribution of Spending Units by Amount of Stock Within Occupation, 1957, table 2A-156 (unpublished).

³ U.S. Treasury Department, Statistics of Income, 1954 Individual Income Tax Returns (preliminary), table 2.

⁴ Federal Reserve Bulletin, August 1957, p. 894.

form or another, by similar if not quite as generous depletion allowances.

The benefits derived from depletion allowances are enormous. In 1954, the average corporation paid 48 percent of its income in taxes, but in that same year, 24 large petroleum companies paid only 22.6 percent of their income in taxes. Through depletion allowance deductions, these 24 companies were able to retain \$645 million which otherwise would have reached the Federal Treasury.

This is just one example of the 27½-percent oil and gas producers' depletion allowance. The savings are proportionately less for the other industries whose depletion allowances run between the 27½ percent for oil and gas and the 5 percent for brick, clay, gravel, and other such building and construction items. As a matter of fact, the only excluded items from the 1954 tax code are derived from sea water, air, or similar inexhaustible items. For all practical purposes, therefore, almost every metallic and nonmetallic mineral, from A to Z, is included under the depletion allowances.

Individuals, too, can benefit from the depletion allowances. In 1947, the then Secretary of the Treasury cited the case of a person who received an income of \$14.3 million between the years 1943 and 1947. He paid, however, only \$80,000—or six-tenths of 1 percent in taxes.

Provision for depletion allowances unquestionably aids only the big corporations and the wealthy taxpayers. One very respected tax expert recently said: "The existence of this depletion allowance provision undermines respect for our entire tax system."

3. Capital gains: The average worker owns limited property, has limited savings, and retains these savings for security—not speculation. Consequently it is a very rare occasion when any worker receives capital gains income that would permit him to use that maximum capital gains tax rate of 25 percent.

According to the 1954 Statistics of Income, individuals with adjusted gross incomes of \$2,500 to \$5,000 per year received only three-eighths of 1 percent of their income in capital gains. On the other hand, those individuals with adjusted gross incomes of over \$100,000 received 22.7 percent of their income in capital gains.

Individuals having a taxable income of \$5,000 pay an ordinary income tax rate of 22 percent. If they earn their income through capital gains, their tax is only 50 percent of that rate, or 11 percent. However, individuals in the \$5,000 bracket receive far less than 1 percent of their total income from capital gains. Consequently, the benefit they derive from this type of provision is almost nil.

On the other hand, an individual with taxable income of \$100,000 who earns ordinary income above that amount would be subject to the ordinary rate of income tax—75 cents on each dollar. However, if this individual received capital gains income, instead of ordinary income, he would be paying a tax to the Government of only 25 cents on every dollar, instead of the 75 cents.

If an individual has a taxable income of \$400,000, he would pay 91 cents on every dollar of additional ordinary income. But if the income is capital gains, the rate is only 25 percent.

These are exceedingly generous tax provisions that give relief only to those who have capital gains income and, in the main, these are individuals with incomes of \$100,000 or more:

4. Tax privileges for higher salaried executives: The workers about whom we are talking work for others for wages or salaries. As we have indicated, this is almost their sole source of income. Moreover, they have not attained the higher levels of management where certain special types of tax

benefits come into play. For example, they do not receive any type of special expense allowance or any of the other nontaxable earnings supplements available to corporation executives. Among these are: Deferred compensation, stock option plans, family partnerships, and a host of other special advantages. As one authority has stated, in discussing such tax advantages at higher income levels, "Individuals have at their disposal company cars, planes, and boats for personal use; charge off as entertainment expenses the cost of theaters, nightclubs, restaurants, baseball games, boxing matches, and other sports events; take advantage of company facilities during vacations; and finance expensive pleasure trips abroad for themselves and their families."⁵

Business Week's July 16, 1955, issue said: "But once a man has 'arrived' he can look forward to a gleaming future where some of the squeeze of taxes and inflation can be eased for him * * *. There are myriad ways by which a company can help its 'varsity team' men escape the burden of taxes and the squeeze of living costs. It can be through deferred pay bonuses, stock options plans, extraliberal expense accounts, a company car at all hours, or the use of the company plane or boat."

5. Family partnerships: Family partnerships are just one example of the kind of tax gimmick that permits wealthy individuals to reduce their taxes to the Federal Government. This provision allows a businessman, under certain circumstances, to make his infant sons partners in his business. He can, therefore, combine his natural generosity with substantial tax reductions.

The following table shows the tax bill of three different income groups and the effect of the family-partnership provision:

Taxable income	Tax bill (income not divided)	Family tax bill (income divided in 2)	Family tax bill (income divided in 3)	Family tax bill (income divided in 4)
\$50,000-----	\$26,820	\$20,300	\$16,599	\$14,460
\$25,000-----	10,150	7,230	6,220	5,740
\$10,000-----	2,640	2,200	2,080	2,040

As the table illustrates, without a split income, the \$50,000-a-year man would have to pay \$26,820 in taxes. But the split-income provision reduces his tax to \$20,300. By extending the idea to a family partnership, however, he can reduce his tax to \$16,599 if he has one infant son. If he is lucky enough to have two infant sons, he can bring his tax down to \$14,460.

The \$10,000-a-year man can reduce his taxes about 25 percent by sharing his income with his wife and two children on tax returns. But the \$50,000-a-year man can save almost 50 percent in tax payments.

6. Split incomes: In 1948, Congress granted another tax bonanza to the wealthy—the split-income provision. This gave a married couple the right to file a joint return and split their total income between them, even if only one of them had received income that year. This division resulted in a tax saving, because the rates applied were on the lower brackets.

For example, instead of paying the rate applicable to \$10,000 a year, the couple could split the income, file a joint return on the basis of \$5,000 apiece, and pay double the tax on \$5,000 a year, but less than the tax on one income of \$10,000 a year.

The savings, however, was mostly for higher-income taxpayers. In 1951, for example, 83.5 percent of all the joint returns filed were for \$2,000 or less taxable income.

⁵ Pechman Joseph, Erosion of the Individual Income Tax. National Tax Journal, vol. X, No. 1, March 1957, p. 16.

Splitting of income does not help any taxpayer who has \$2,000 of taxable income or less. Therefore, only 16.5 percent of all the joint returns filed received any benefit from split incomes.

Another example illustrates how this arrangement helps the rich and how little it helps the middle-income taxpayers: A person earning \$5,000 per year can reduce his taxes about 2 percent by filing a joint return; a person receiving \$100,000 a year can reduce his taxes 27 percent. Furthermore, the \$5,000-a-year man saves \$80 in taxes, but the \$100,000-a-year man saves \$13,680. In other words, the person with 20 times as much income saves 171 times as much tax money.

7. Withholding tax: These are a few of the special tax provisions that are not available to the average American worker. On the other hand, the average worker does find that his Government is very efficient in collecting from him all the taxes to which it is entitled. The American system of withholding income taxes from current wages is so ruthlessly efficient that there is no chance for the taxpayer to fall behind in his payments. In fact, this withholding tax collection system has been held up as a model for other countries whose citizens are more reluctant taxpayers than Americans.

However, let the record show that this model of efficiency applies only to income derived from wages and salaries. No withholding system operates with regard to dividends, interest, or any other type of income. As a result, it is a well-known fact that a far larger proportion of taxes are wrung from \$1 of wages than from any other type of income. Only a minute proportion of wage income is not reflected in tax returns while far higher percentages for other types of income escape the eye of the tax collector.

The most recently published figures on this question cover the year 1952 and show that 95 percent of all wage and salary income was reported in that year's income tax returns. The resulting 5 percent gap in reporting wage and salary income compared to 13 percent for dividends, 61 percent for interest, and 30 percent for entrepreneurial income. These figures demonstrate that wage and salary income carries more than its fair share of the tax burden. While American workers recognize the necessity for the very efficient withholding system, they would appreciate it if the withholding system could apply with equal efficiency to all types of income other than wages and salaries.

As a result of the withholding system, as well as the many special provisions benefiting higher incomes, the impact of today's tax structure on American workers has become a problem for serious national concern. At one time the tax system extended certain favored treatment to income obtained by gainful employment, through the earned income credit eliminated in 1943. Now, however, the tax pendulum has swung completely around to the point where wage income occupies second-class status compared to other types of income. Certainly the special tax credit for dividend income, the failure to extend withholding beyond wage income, and the creation of numerous tax avoidance devices all testify to the manner in which wage income is penalized under our present tax system.

In other words, Mr. Chairman, when this administration last distributed tax benefits fully 88 percent went to business and investors and only about 12 percent to people in their individual capacity. One would think the President would go to these people now and remind them that as a result of these tax breaks their profits now are at an all time high and many of them actually realized even greater profits because of the Federal

highway program and certainly huge defense contracts. But no, instead he turns to the motorist and to their elected representatives in Congress and says to them, in effect, "Either you increase the gasoline tax so I can balance my budget for the coming election year or there will not be any highways built." We are thus being blackjacked into approving an unfair and unnecessary tax increase.

There seems to be little doubt, Mr. Chairman, that this bill will pass. Many of us on the Committee on Public Works voted to report it because it appeared to be the only way to prevent the highway program from being cut back sharply. It was our deep conviction that this program is so vital to our Nation's economy and national defense that it must not be stopped or slowed down unnecessarily. But at the same time we would be remiss in our obligations and duties to the people if we did not point out that they are literally being taken for a ride. What is worse, they are even paying for it.

Mr. VANIK. Mr. Chairman, I support H.R. 8678 with great reluctance. The imposition of further tax burdens upon the American people seems to have just about reached the final point.

Without this law, Ohio would face a curtailment of its highway program from \$300 million a year to an annual rate of \$500 million. There would be no interstate projects through fiscal 1961.

The Ohio Legislature increased State gasoline taxes this year by 2 cents a gallon to be in a position to complete its highway program and provide its share of the matching money. Ohio could not proceed if the interstate program were to be closed down through 1961.

Under H.R. 8678, the approximate apportionment of Federal aid highway funds for Ohio would total \$166,500,000 for fiscal 1961 and \$179,500,000 for fiscal 1962. Ohio is second only to California in the apportionment for these 2 years.

The automobiles of America are useless without adequate highways. In most communities, gasoline prices seem to be fixed by negotiated pricing systems which seem to arrange retail prices at whatever the market will bear. The imposition of a 1 cent per gallon tax for the construction and improvement of highways may well result in a 1 cent per gallon less profit for the oil producers of America.

Mr. WILLIAMS. Mr. Chairman, I am in favor of continuing the highway construction program on schedule; however, I am opposed to any present increase in taxes for this purpose.

This position may appear on the surface to be inconsistent, but when considered in light of and in conjunction with the overall programs of the Federal Government, I think a tax increase at this time is not justified.

Except for certain insurance and retirement programs, special taxes are not levied for any other specific governmental activity. In fact, through our ridiculous and wasteful foreign-aid program, our Government is building highways all over the world for the use and enjoyment of foreign people, but no special tax has been suggested to defray the expense of this program. Certainly our programs

of domestic improvement and development should not be asked to carry a burden not similarly assessed against those programs we finance for the benefit of other countries. The highway construction program could be financed easily by the simple method of transferring the necessary funds from the foreign-aid program to the highway trust fund.

Mr. GROSS. Mr. Chairman, I cannot support this bill for a number of reasons. In the first place I am opposed to an increase of 1 cent per gallon in the Federal tax on gasoline, and I am equally opposed to the deception that this increase will be temporary. Everyone who supports this bill knows that it will not be terminated in 22 months; that once levied it will be continued for the foreseeable future.

I am unalterably opposed to that provision in the bill which states that it is the "intent and policy" of Congress to take over existing toll roads. This is estimated to cost in the neighborhood of \$5 billion and no further thought should be given to such action until the interstate highways already in the program are constructed.

It has been stated by the proponents of this measure that it is an act of irresponsibility to go to the Federal Treasury to obtain the funds to make up the deficit in the trust funds. Yet it is proposed to take tax revenues obtained from motor vehicle operators, which are presently going into the general funds of the treasury, for highway use. This is saying, in effect, that it is somehow better to take money from a man on the way to a bank than it is to take the same money immediately after he has put it on deposit.

And is it any more an act of irresponsibility to go to the U.S. Treasury for funds to build roads in this country than it is to raid the same Treasury for hundreds of millions of dollars to build highways in foreign countries?

Mr. Chairman, I am in favor of an interstate system of highways, but I am also saying that we may as well admit here and now that the program was too ambitious for the funds that could be obtained on the basis of the acceleration that was applied. Moreover, I never contemplated, and I am sure the majority of Members of Congress never contemplated, that these funds would be used to build expressways through cities where it was possible to build interstate highways at far less costs in the open country outside the cities.

For these and other reasons, Mr. Chairman, I cannot support this bill.

Mr. MACK of Illinois. Mr. Chairman, I strongly support a continuation of our highway program and I believe that financing should be made available so that this program can continue at its normal rate. However, I do not believe this goal should be accomplished by placing an undue burden on a certain group of taxpayers who are already carrying more than their fair share of our tax load. While I am generally in accordance with other provisions of this bill, I oppose the 1 cent increase in the Federal tax on gasoline. In Illinois we are presently paying 8½ cents in gaso-

line taxes. This represents a tax load of nearly 33 percent at the retail level. I know of no other consumer commodity that is carrying a heavier tax load today. Many of our citizens who consume large quantities of gasoline are not the ones who take full advantage of our interstate highway systems. Most of these people would not benefit from these new roads because their business requires them to do most of their driving on local and State roads. This tax increase would be unfair to these thousands of persons who seldom, if ever, use the interstate highways. This tax increase which has been recommended by the President would, in my opinion, be unfairly soaking the poor to provide highways they will not use.

Furthermore, our States rely heavily on gasoline taxes to support their highways and therefore the Federal Government should not usurp this source of revenue. At the present time my constituents in Illinois pay 5 cents a gallon State tax in addition to the 3 cents Federal tax. In addition to this we have had another one-half cent increase in the sales tax this year which again places an additional burden on the lower income families in our State. Since we have this heavy tax load at this time, I am strongly opposed to any additional tax which would not only burden our consumers but would also present a difficult problem for our State if they are ever required to secure additional revenue for highway construction.

I hesitate to oppose this bill, but since an undue burden is being placed on the taxpayers of my area, I must in good conscience oppose this bill.

Mr. COFFIN. Mr. Chairman, I choose this opportunity to place my views on H.R. 8678 on record because of the torturing dilemma which all of us face. We all are aware that most legislation is a mixture of the necessary and the good with the unnecessary and the bad. I must confess, however, that there is more of all of these in this bill than I have seen in any bill on the floor in this session. The bill is a Jekyll-Hyde Siamese twin. Title I is Dr. Jekyll in that it provides the needed continuity in the vital Federal-State highway program. Title II is Mr. Hyde, in that the method of financing is a temporary increase of 1 cent for 22 months in the gas tax. I do not know if this abnormal creature is the inevitable result of having the Public Works Committee as the father and the Ways and Means Committee as the mother, but I do not welcome future progeny of this couple.

I felt so strongly that a surgical operation on this Siamese twin should at least be explored that, along with 36 other Members of the House, I rose to ask for a rollcall on the closed rule governing the debate, which prevents any amendments other than those of the Public Works Committee. Unfortunately, we were several votes short of enough to force a rollcall. Had we prevailed, we might have forced adoption of a rule that would have allowed the consideration of alternative means of financing.

What makes the gas tax approach particularly aggravating is the fact that

highway users have, ever since the Federal-Aid Highway Act of 1956, been paying more than enough to keep the highway trust fund solvent. The general fund transferred almost \$2 billion of liabilities to the highway trust fund back at the beginning of 1956, \$516 million in 1957, and \$1 billion in 1958. This was a total of over \$3½ billion.

No wonder the highway trust fund presently needs reimbursement to the tune of \$490 million for fiscal year 1960.

Mr. Chairman, I would not object to these transfers if there were reciprocity, if the general fund would recognize an obligation to return at least part of these advances to the highway trust fund. Not to return these funds—at least to the extent necessary to avoid a gas tax increase—is to penalize a fragment of our people.

Yet we are unable to sever Dr. Jekyll and Mr. Hyde. What do we do? Destroy both or save both? If we destroy both, we have the satisfaction of preventing an annoying, burdensome, and basically unjustified—even if only temporary—addition to the gas tax. But at what cost?

Mr. Chairman, we should be realistic enough to accept the fact that if we vote down this bill, we have acquiesced in the cessation of work for another year on the highway program.

Already in my own State of Maine bulldozers are idle, preparatory gravel is washing away, contractors are unable to take advantage of the few remaining weeks of workable weather, and our State highway commission is unable to commit any new work.

The cost of delay is simply too much to tolerate. I believe, Mr. Chairman, that the task of painful responsibility is to support this measure. The Dr. Jekyll will do more good than the Mr. Hyde will do harm.

I might add that I was disappointed when, on our recent teller vote, the Committee amendment failed. The amendment would have shown the intent of Congress that eventually States should be reimbursed for toll or free highways built after 1947. We in Maine have gone out on a limb to construct our toll highway from Kittery to Augusta, without waiting for the Federal-State program. We built it at a cost far less than would be the case today. We should not be penalized for this initiative.

ADDITIONAL GASOLINE TAXES UNFAIR

Mr. McGOVERN. Mr. Chairman, I am opposed to any further increase at this time in the Federal gasoline tax. We all want to keep the highway construction program moving ahead, but additional highway-user taxes are not justified. As a matter of fact, highway-users are already paying a disproportionately high share of our Federal revenues.

As matters now stand, the traveling public is already paying more than \$1½ billion annually into the Federal Treasury in taxes on cars, trucks, parts, accessories, oil, buses, and trailers that is above and beyond the special taxes earmarked for the highway trust fund.

In 1956, when the Highway Act was passed, taxes on gasoline, vehicles, tires,

tubes, oil, parts, and accessories were pouring \$3 billion into the Federal Treasury, of which only \$1 billion was spent annually on highways. In other words, highway-users were paying in \$3 to the Treasury for every \$1 that was expended for highway construction.

Despite this fact, with the enactment of the 1956 Highway Act, Congress increased taxes on fuel, tires, tubes, trailers, buses, and trucks, and established a new tax on tread rubber and heavy trucks. The highway trust fund was then established for which the new taxes and a portion of the existing automotive taxes were designated. Even after this enactment, however, more than \$1½ billion in highway-user taxes continued to go into the general fund of the Treasury.

In spite of this unfair burden on highway-users, the temptation to grab highway trust fund revenues for other purposes was too great. Congress intended that the trust fund revenues should accumulate for several years before the construction program had reached the point where great outlays would be needed to pay the bills for construction. Instead of that procedure being followed, \$1.9 billion in highway authorizations going back to previous years for which Congress had not yet appropriated funds was transferred from the general fund to the trust fund as a deficit. Thus, the newly created trust fund was immediately handed a deficit of nearly \$2 billion.

Additional raids on the highway trust fund helped make the Federal budget look better in 1957, 1958, and 1959 when large amounts of the highway trust funds were taken out and added to the general fund.

In fiscal 1957, the highway trust fund had revenues of \$1.4 billion and expenditures of \$966 million—the surplus being loaned to the general fund.

In fiscal 1958 the trust fund took in \$2.1 billion with expenditures of \$1.6 billion. At that point a balance of \$1.048 billion in the trust fund was transferred to the general fund.

In fiscal 1959, trust fund expenditures for the first time exceeded revenues with revenues coming to \$2.185 billion and expenditures to \$2.709 billion. This reduced the balance in the trust fund to half a billion dollars.

In fiscal 1960, with expenditures expedited to exceed revenues by \$1 billion, it is clear that the trust fund will finish the year with a deficit of half a billion dollars. It is equally clear that this shortage stems from the fact that the trust fund has been bled by the Treasury instead of permitting 3½ years of surplus highway-user revenues to accrue for the expanding highway expenditures of more recent months.

It is grossly unfair for the administration to ask for another 50 percent increase in Federal gasoline taxes when we are already diverting highway-user taxes to keep the general budget in balance instead of putting it into road construction.

I appreciate the fact that the committee has reduced the proposed increase from 1½ cents per gallon to 1 cent and established a termination date

22 months hence. But it is unfair to make any further gas tax increase at all.

Furthermore, increases in the Federal gasoline tax pose a threat to revenues badly needed by our State governments. The States depend upon their gas tax to assist them in matching their portion of the highway matching program.

How then are we to keep the highway building program on schedule without raising gas taxes again?

The first answer that comes to mind is that any time we stop diverting even a third of the highway-user taxes now going into the general fund, we will have ample funds to more than meet any indicated deficit in the trust fund. This should be done.

If it is then argued that this will create a new deficit in the general fund, this points up the urgent need for tax revision to plug some of the glaring loopholes in our present tax structure. One such loophole is the stock dividend credit which lets more than \$300 million slip away from the Treasury to those who least need such highly favored treatment. It is regrettable that a move to close this loophole, led by Senator EUGENE McCARTHY of Minnesota earlier in this session, was not successful.

There are other even more obvious loopholes that let hundreds of millions of tax dollars escape at the expense of the average taxpayer. Consider, for example, the cleverly written tax language that enables American oil interests with large foreign holdings to escape practically the entire Federal income tax on their foreign operations. This is a competitive threat to oil companies in the United States who have no foreign production and it deprives Uncle Sam of badly needed revenues from those who least need to avoid taxation. The two tax loopholes that I have suggested closing would alone take care of any deficit caused by making proper use of our highway-user revenues. Furthermore, such tax revision would be in the best interest of American businessmen and other taxpayers who need tax consideration.

I will support a highway financing bill that is fair to the American people and I know that we have ample time to pass such a bill before adjournment. The bill before us is not a good bill and I shall oppose it.

Mr. FALLON. Mr. Chairman, in closing, there were several Members on the floor very critical in regard to how the program was being administered in their particular States. I can say without fear of contradiction that in connection with this program, the largest program of public works that the world has ever witnessed, it has been my observation that the complaints and the criticism about this program have been very few. And, in regard to the comments relative to State highway departments, I might say in my long association with them I have never met a more capable, more dedicated, and honest group of men than the members of the highway departments of these United States. Now, there might be a few exceptions.

Mr. Chairman, if this program is not carried forth here today, it will be a real

tragedy not only the safety of the people of this country but to our national economy.

The CHAIRMAN. The time of the gentleman from Maryland has expired. All time has expired.

Under the rule, the bill is considered as having been read for amendment.

The bill is as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—FEDERAL-AID HIGHWAY PROGRAM SECTION 101. SHORT TITLE.

This Act may be cited as the "Federal-Aid Highway Act of 1959."

SEC. 102. REVISION OF AUTHORIZATION OF APPROPRIATIONS FOR INTERSTATE SYSTEM.

Subsection (b) of section 108 of the Federal-Aid Highway Act of 1956 is amended by striking out "the additional sum of \$2,500,000,000 for the fiscal year ending June 30, 1961," and inserting in lieu thereof the following: "the additional sum of \$2,000,000,000 for the fiscal year ending June 30, 1961."

SEC. 103. EXTENSION OF APPROVAL OF ESTIMATE OF COST OF COMPLETING INTERSTATE SYSTEM.

Section 8 of the Federal-Aid Highway Act of 1958, as amended, is hereby further amended by striking out "the fiscal years ending June 30, 1960, and June 30, 1961," and inserting in lieu thereof "the fiscal years ending June 30, 1960, 1961, and 1962."

TITLE II—INTERNAL REVENUE CODE AND HIGHWAY TRUST FUND AMENDMENTS

SEC. 201. TEMPORARY INCREASE IN MOTOR FUEL TAXES, ETC.

(a) GASOLINE.—Section 4081 of the Internal Revenue Code of 1954 (relating to imposition of tax on gasoline) is amended by adding at the end thereof the following new subsection:

"(c) TEMPORARY INCREASE IN TAX.—On and after September 1, 1959, and before July 1, 1961, the tax imposed by this section shall be 4 cents a gallon."

(b) DIESEL FUEL AND SPECIAL MOTOR FUELS.—

(1) IMPOSITION OF TAX.—Section 4041 of such Code (relating to imposition of tax on diesel fuel and special motor fuels) is amended by adding at the end thereof the following new subsection:

"(f) TEMPORARY INCREASES IN TAX.—On and after September 1, 1959, and before July 1, 1961—

"(1) if (without regard to this subsection) the tax imposed by subsection (a) or (b) is 3 cents a gallon, the tax imposed by such subsection shall be 4 cents a gallon, and

"(2) if (without regard to this subsection) the tax imposed under paragraph (2) of subsection (a) or (b) is 1 cent a gallon, the tax imposed under such paragraph shall be 2 cents a gallon."

(2) TECHNICAL AMENDMENTS.—The second sentences of subsections (a) and (b) of such section 4041 are each amended by striking out "in lieu of 3 cents a gallon".

(c) FLOOR STOCKS TAX AND REFUNDS ON GASOLINE.—

(1) TAX.—Section 4226(a) of such Code (relating to floor stocks taxes) is amended by adding at the end thereof the following new paragraph:

"(5) 1959 TAX ON GASOLINE.—On gasoline subject to tax under section 4081 which, on September 1, 1959, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to

gasoline held for sale by a producer or importer of gasoline."

(2) DATE FOR PAYMENT OF TAX.—Section 4226(d) of such Code (relating to due date of taxes) is amended by inserting before the period at the end thereof the following: "; except that the tax imposed by paragraph (5) shall be paid at such time after November 30, 1959, as may be prescribed by the Secretary or his delegate."

(3) TECHNICAL AMENDMENT.—Section 4226(c) of such Code (relating to definition of dealer, etc.) is amended by striking out "section 6412(a)(3)" and inserting in lieu thereof "section 6412(a)(4)".

(4) REFUNDS.—Section 6412(a) of such Code (relating to floor stocks refunds) is amended by renumbering paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

"(3) GASOLINE HELD ON JULY 1, 1961.—Where before July 1, 1951, any gasoline subject to the tax imposed by section 4081 has been sold by the producer or importer and on such date is held by a dealer and is intended for sale, there shall be credited or refunded (without interest) to the producer or importer an amount equal to the difference between the tax paid by such producer or importer on his sale of the gasoline and the amount of tax made applicable to such gasoline on and after July 1, 1961, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1961, based upon a request submitted to the producer or importer before October 1, 1961, by the dealer who held the gasoline in respect of which the credit or refund is claimed, and, on or before November 10, 1961, reimbursement has been made to such dealer by such producer or importer for the tax reduction on such gasoline or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline."

(d) CREDITS AND REFUNDS.—

(1) TAX PAYMENTS CONSIDERED OVERPAYMENTS.—Section 6416(b)(2) of such Code (relating to special cases in which tax payments are considered overpayments) is amended—

(A) by striking out "at the rate of 3 cents a gallon" each place it appears in subparagraphs (H), (I), and (J) and inserting in lieu thereof "at the rate of 3 cents or 4 cents a gallon";

(B) by striking out "1 cent for each gallon" in subparagraph (H) and inserting in lieu thereof "1 cent (where tax was paid at the 3-cent rate) or 2 cents (where tax was paid at the 4-cent rate) for each gallon"; and

(C) by striking out "at the rate of 1 cent a gallon;" at the end of subparagraphs (I) and (J) and inserting in lieu thereof the following: "at the rate of 1 cent a gallon where tax was paid at the 3-cent rate or at the rate of 2 cents a gallon where tax was paid at the 4-cent rate;"

(2) GASOLINE USED FOR CERTAIN NONHIGHWAY PURPOSES OR BY LOCAL TRANSIT SYSTEMS.—Subsections (a) and (b)(1)(A) of section 6421 of such Code (relating to gasoline used for certain nonhighway purposes or by local transit systems) are each amended by striking out "1 cent for each gallon of gasoline so used" and inserting in lieu thereof "1 cent for each gallon of gasoline so used on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon".

(e) COLLECTION OF GASOLINE TAX AT WHOLESALE DISTRIBUTOR LEVEL.—

(1) TREATMENT OF WHOLESALE DISTRIBUTOR AS PRODUCER.—The first sentence of section 4082(a) of the Internal Revenue Code of 1954 (relating to definition of "producer" for purposes of tax on gasoline) is amended to read as follows: "As used in this subpart, the term 'producer' includes a refiner, compounder, blender, or wholesale distributor, as well as a producer."

(2) WHOLESALE DISTRIBUTOR DEFINED.—Section 4082 of such Code is amended by adding at the end thereof the following new subsection:

"(d) WHOLESALE DISTRIBUTOR.—As used in subsection (a), the term 'wholesale distributor' includes any person who—

"(1) sells gasoline to producers, to retailers, or to users who purchase in bulk quantities for delivery into bulk storage tanks, and

"(2) is registered and bonded with respect to the tax imposed by section 4081.

Such term does not include any person who (excluding the term 'wholesale distributor' from subsection (a)) is a producer or importer."

(3) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) shall take effect on January 1, 1960.

SEC. 202. TRANSFERS TO HIGHWAY TRUST FUND.

(a) TRANSFER.—Section 209(c) of the Highway Revenue Act of 1956 (relating to transfer to Highway Trust Fund of amounts equivalent to certain taxes) is amended by renumbering paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

"(2) EXCISE TAX ON AUTOMOBILES, PARTS AND ACCESSORIES, ETC.—There is hereby appropriated to the Trust Fund, out of money in the Treasury not otherwise appropriated, amounts equivalent to that portion of the taxes received in the Treasury after June 30, 1961, and before July 1, 1964, under subsection (a)(2) (tax on passenger automobiles, etc.) and (b) (tax on parts and accessories) of section 4061 of the Internal Revenue Code of 1954 which is equal to the amount which would have been so received if the tax rate under each such subsection had been 5 percent in lieu of the applicable rate."

(b) CONFORMING AMENDMENTS.—

(1) CLERICAL AMENDMENT.—Paragraph (4) (as renumbered by subsection (a)) of such section 209(c) is amended by striking out "paragraphs (1) and (2)" each place it appears and inserting in lieu thereof "paragraphs (1), (2), and (3)".

(2) FLOOR STOCKS REFUNDS.—Section 209(f) of the Highway Revenue Act of 1956 (relating to expenditures from Highway Trust Fund) is amended—

(A) by striking out the heading to paragraph (4) and inserting in lieu thereof the following:

"(4) 1972 FLOOR STOCKS REFUND.—"; and

(B) by adding at the end thereof the following new paragraph:

"(5) 1961 FLOOR STOCKS REFUNDS ON GASOLINE.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the floor stocks refunds made before July 1, 1962, under section 6412(a)(3)."

The CHAIRMAN. No amendments are in order except amendments offered by the Committee on Public Works. The clerk will report the first committee amendment.

The clerk read as follows:

Committee amendment: Page 2, line 4, after "1956" insert "as amended."

Mr. BECKER. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. The Chair will state to the gentleman that that is not in order.

The question is on the committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. The clerk will report the next committee amendment.

The clerk read as follows:

Committee amendment: Page 2, line 10, strike out "Sytem" and insert "System."

Mr. BECKER. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, of course, I rise in support of this amendment. I think we will all support the amendment. The amendment on the reimbursement to States contained in this bill as an amendment is certainly a very necessary and vital feature of this type of legislation. I fought for this when I had the honor to serve on the House Public Works Committee. All we were able to succeed in doing at that time was to give recognition that the Secretary of Commerce would make a study and a survey as to the cost of the reimbursement to the States.

I want to digress for a moment to say this: I have listened to much debate this afternoon and the tirades against the administration insofar as the highway program is concerned and the conduct of it and of the lack of money that is necessary under this program.

Let me say this to those who are criticizing the legislation and the need for a 1-cent increase in the tax today. This legislation is not the administration's legislation in its original form in 1956. I say that if the Congress had adopted the President's recommendation in the Clay report we would not be in this position today of asking for additional taxes to carry out the program. The legislation adopted in 1956 by the committee, by the Committee on Ways and Means, and then enacted into law by the Congress was the baby of the Congress. At that time there were those of us who knew there was not sufficient money that would be produced under that legislation. At that time it was clearly enunciated that the President's program to establish a board, and a bond issue and a trust fund and to issue bonds for the construction of 41,000 miles of the highway program would have been financed to its conclusion. However, the House did not see fit to accept the recommendation of the administration and the plight we find ourselves in today to support the 1-cent increase in tax to bring in additional revenue partially to finance the program, rests on the shoulders of the Congress and not of the administration.

I heard the gentleman take the floor a few minutes ago and talk about a steel manufacturer on the west coast complaining about the importation of steel from Japan, interfering with the U.S. steel market. That is just too bad, because I remember when the late Dan Reed, that most esteemed gentleman from the State of New York, fought to amend the Reciprocal Trade Agreements Act several years ago to protect

the production of steel and other products in the United States, was voted down by that side of the House. And today they are crying about the importation of products from foreign countries that are causing and will cause unemployment in our own country. The low tariff program is a program of the Democratic Party. If we are going to talk about tariffs and unemployment, let the boys over on the Democrat side do something about it. They have control of the House; they have control of the Congress. Let them bring in some legislation to protect the workers of America. I am for it, and I was for it when Dan Reed offered his amendments on the floor of this House. But do not cry about it today when you have the power to correct.

I do not like this 1 cent gasoline tax. But I am sincerely hoping that it will be passed by this House in order to keep this program going which is so vitally necessary. Also that the bill will contain a provision to reimburse those States, like the State of New York, that has expended over a billion dollars on the Interstate System to provide highways badly needed.

I sincerely hope the legislation will be passed.

Mr. MORRIS of Oklahoma. Mr. Chairman, I rise in support of the amendment.

The CHAIRMAN (Mr. JENNINGS). The Chair will state to the gentleman that only 5 minutes is permitted in support of the amendment and 5 minutes in opposition. Five minutes has been consumed in support of the amendment. Therefore, the Chair cannot recognize the gentleman at this time.

The question is on the amendment.

The amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Committee amendment, on page 2, line 17, insert:

"SEC. 104. POLICY WITH RESPECT TO REIMBURSEMENT FOR CERTAIN HIGHWAYS

"Section 114 of the Federal-Aid Highway Act of 1956 is amended to read as follows:

"SEC. 114. POLICY OF CONGRESS TO REIMBURSE FOR CERTAIN HIGHWAYS.

"It is hereby declared to be the intent and policy of the Congress to equitably reimburse in money or in mileage each State for every portion of a toll or free highway, bridge, or tunnel within such State which is on the Interstate System, the construction of which has been completed subsequent to August 2, 1947, or which is either in actual use or under construction by contract, for completion, awarded not later than June 30, 1957."

Mr. MACK of Washington. Mr. Chairman, I rise in opposition to the amendment.

(Mr. MACK of Washington asked and was given permission to revise and extend his remarks.)

Mr. MACK of Washington. Mr. Chairman, the principal reason this legislation is before Congress today is that the Congress, in April 1958, voted to take an extra \$1.2 billion out of the trust fund. That depleted the fund.

To reimburse the toll road States as this amendment proposes will cost \$4,357 million. Where is that enormous sum of money coming from? No provisions have been considered to raise the money to pay for reimbursement of the toll road States for these toll roads.

If we attempt to pay the toll road States for their roads by a gasoline tax that will require a 1-cent additional tax on gasoline not for 22 months, as this bill proposes, but a 1-cent tax for 6 to 8 years.

We raided the highway trust fund once in 1958 to make work projects. If we raid it again to make reimbursement for toll roads, we will be right back where we are now with the trust fund busted again and trying to develop new tax sources on motorists to pay for these toll roads and freeways.

The cost of this amendment according to the Bureau of Public Roads is \$4,357 million which is what will be needed to reimburse the toll road States. Of this \$4,357 million, \$2,833 million will go to eight toll road States.

New York State will receive \$799 million from this reimbursement. Eight States with only 11 percent of the Nation's area will receive 65 percent of all the reimbursement funds and the other 42 States with 89 percent of the Nation's area will receive only 35 percent of this reimbursement sum.

New York State will receive \$799 million which is as much reimbursement money as will go to 32 other States of the Nation.

Connecticut will receive \$278 million to reimburse her for toll roads and free roads, which she has built.

New York will receive \$799 million while New Hampshire will receive only \$700,000.

New York State will receive \$799 million and Nevada will get only \$800,000.

New York State will receive \$799 million and Vermont will get \$1 million.

New York State will receive \$799 million and North Dakota will get \$1,700,000.

New York State will receive \$799 million and Montana, \$2,600,000.

New York State will receive \$799 million and Idaho, \$3,400,000.

New York State will receive \$799 million and South Carolina, \$3,200,000.

New York State will receive \$799 million and Arkansas, \$3,700,000.

New York State will receive \$799 million and South Dakota, \$3,700,000.

New York State will receive \$799 million while Iowa will get \$3,900,000.

Mississippi will get \$4,700,000.

Wisconsin will get \$5,900,000.

Mr. Chairman, this reimbursement provision has no place in this particular bill which is to meet an emergency situation.

The District of Columbia with only 4.8 miles of interstate highways, which she has built, will receive \$5,400,000 under this provision for the 70 square miles within the District as against Wisconsin receiving \$5,900,000 for that State of vast area.

The little State of Rhode Island will receive \$10 million or about twice as

much money as the great State of Wisconsin.

This provision has no place in this highway bill. It should not be considered until further investigations are made and reports received on it from the Bureau of Public Roads. This particular provision of the bill should be voted down. This is an emergency bill to keep the highway program rolling at its present level. It is not a bill to distribute vast sums to toll-road States and thereby lay the foundation for the need of levying new and additional taxes which Federal buying of the Nation's tollroads surely will necessitate.

The CHAIRMAN. The time of the gentleman has expired.

Mr. ROBISON. Mr. Chairman, I rise in support of the amendment.

(Mr. ROBISON asked and was given permission to revise and extend his remarks.)

Mr. JONES of Alabama. Mr. Chairman, will the gentleman yield?

Mr. ROBISON. I yield.

Mr. JONES of Alabama. I would like to point out to the committee that this amendment only preserves the right of the future Congresses to consider the equity of reimbursement. Much has been said that this only goes to the question of toll roads. There are approximately 10,000 miles that will be considered for reimbursement and only 1,950.2 miles on toll roads. So every State in the Union almost without exception will have to be given the consideration that it was extended in the Highway Act of 1956, when we extended equitable consideration to the western States providing a formula up to 95 percent of the total cost of the interstate system to be borne by the Federal Government.

I would like to point out that in addition this is only giving the future Congresses the right to give consideration to the equitable redistribution of mileage lost under the formula of the 1956 act.

Mr. ROBISON. I thank the gentleman for his contribution and would like to point out to the House one thing, that while many quarrels have been started here between the States on various subjects this year this is the first time one has been started with the State of New York as the principal target.

This amendment apparently is being opposed on the ground that it is nothing but a giveaway. It is not a giveaway; it is a giving back of something which was wrongfully taken from the people of the State of New York as well as the other major progressive States of the Nation. Let me point out to you, Mr. Chairman, that on August 27, 1956—I was not here then, of course—but on that date I would remind the rest of you that this House passed H.R. 10660, of the 84th Congress, which contained a section known then as section 109 as originally numbered in that bill, which almost word for word follows section 104 in the bill now before us; and before you decide that you are now in favor of penalizing the initiative of the progressive States of the Nation, I suggest that you determine how you voted back in 1956.

Mr. DOOLEY. Mr. Chairman, will the gentleman yield?

Mr. ROBISON. I yield to the gentleman from New York.

Mr. DOOLEY. Is it not a fact that this is simply a reaffirmation of the act of 1956, and that the \$799 million which is coming to the State of New York is merely reimbursement of money spent between 1941 and 1957 for which she could reasonably expect to be reimbursed? Failure to reenact this would be very bad.

Mr. ROBISON. The gentleman is correct.

Much has been made of the fact that this amendment calls for reimbursement to the extent of \$4.2 billion. Much is also made of the fact that a large portion of that figure is going to go to the State of New York. Let me ask you this: Is it a fact, Mr. Chairman, that we have now reached the point where the cost of doing equity is going to blind us to the principles of equity?

Mr. Chairman, it strikes me that what is being done to the State of New York in this instance is something that is almost always done to us in every Federal-aid program, but not with as specific a contribution as we have been called upon to here make. This is the time to begin to right that wrong.

This amendment, as you know, and as has been so well explained, merely establishes the principle of reimbursement. This Congress or future Congresses hold in their hands the method of determining how that reimbursement is to be made.

Mr. CRAMER. Mr. Chairman, will the gentleman yield?

Mr. ROBISON. I yield.

Mr. CRAMER. Is it not a fact—and I will say to the gentleman that with all respect I differ with him, but it is not a fact that under the 1956 bill there is discretion to do exactly what the gentleman is suggesting with regard to reimbursement, but it is discretionary and not mandatory?

The CHAIRMAN. The time of the gentleman from New York has expired, all time on the amendment has expired.

Mr. HAYS. Mr. Chairman, I offer a preferential motion.

The CHAIRMAN. The Clerk will report the motion.

The Clerk read as follows:

Mr. HAYS moves that the Committee do now rise and report the bill back to the House with the recommendation that the enacting clause be stricken out.

Mr. HAYS. Mr. Chairman, I come from a State which would benefit by this proposed amendment if we were reimbursed, but I say that it is morally wrong and completely indefensible. There have been a lot of speeches made today about these toll roads and the necessity of including them in the system and so forth and so on, but if you pass this amendment you are taxing the people not singly but twice, because you are soaking the people who ride over the roads and pay the tolls, for you ride up to the toll gate and have to pay for the privilege; and after they get the thing paid for by the people who use them you are going to turn around and soak the people of the United States in a gasoline tax and give them the money

over again. If you can defend that, I cannot. If you can defend that to the people of your district, you just go right ahead and defend it, but I am not going to, and I have received plenty of letters from my State wanting me to support the amendment.

I think this amendment is wrong; I think it is out of place, and I think it ought to be defeated.

Mr. BUCKLEY. Mr. Chairman, will the gentleman yield?

Mr. HAYS. I yield.

Mr. BUCKLEY. What about the free-ways?

Mr. HAYS. That is a different proposition, if they are really freeways which have been built and are incorporated into the system. That is quite different from toll roads.

Mr. JONES of Alabama. Mr. Chairman, will the gentleman yield?

Mr. HAYS. I yield.

Mr. JONES of Alabama. There are 153 miles of free roads in the gentleman's State of Ohio that would qualify for incorporation into the Interstate System. The same principle would apply to those roads that would apply to the toll roads.

Mr. HAYS. No, it would not, because the people are not paying for the road twice. It is a free highway and you incorporate it, that is one thing; but if it is a toll road and you incorporate it, that is another thing again. The gentleman knows that as well as I do.

Mr. JONES of Alabama. This preserves the right of Congress—

Mr. HAYS. This says nothing about the right of Congress; this says it is the intent of Congress.

Mr. GROSS. And the policy of Congress.

Mr. HAYS. It declares the policy and it puts the Congress in the position that if you do not give the money back someday people can say: "OK, we were misled. The Congress said we were going to do it. Now you are reneging on the promise."

If you had not made the promise in the first place, you do not have to renege.

Mr. CRAMER. Mr. Chairman, I rise in opposition to the motion.

Mr. Chairman, I will attempt to say where I think the issues are in regard to this amendment, and they are as follows:

We are talking about changing the act passed in 1956, which simply states, as a matter of policy, that Congress shall determine "whether or not" to reimburse the States for freeways and toll road facilities. This amendment unquestionably takes away that discretion from this body in the future to make that determination. When all the facts are known, when in 1961 it is reported what the total cost is going to be, it will be \$13 billion in excess of the 1956 estimate of \$25 billion; when we know in addition to that where the money should equitably come from to finance the proper sources of road user tax on a permanent finance basis. I say the amendment is premature because that time is when we should determine when we know what the cost is going to be, when

we can look at the whole picture and what the proposals are before us, in determining whether or not to reimburse. That is what we have authority to do under the present legislation.

This amendment makes it mandatory and would cost \$4.3 billion with the present arbitrary 10-year cutoff of 1947 to 1957. If the period of time is extended to the present time it would be \$6.3 billion when we know we have the facts and a \$13 billion deficit already. I say that is not fiscal responsibility.

It is time that the Congress should have the opportunity to make the decision at the proper time in 1961 when we know all the facts. It has no place in this legislation. It was intended to be an extension of the present law insofar as authorization is concerned.

Mr. JONES of Alabama. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Alabama.

Mr. JONES of Alabama. The gentleman from Florida says this is premature consideration of this problem. I wonder if he found objection to the committee report of 1954?

Mr. CRAMER. I am glad the gentleman mentions the Clay report of 1954, because the Clay report of 1954 did not say reimbursement should be given, except after the interstate system was fully funded, and that we might not have any objection to it at a future time.

Mr. JONES of Alabama. We are preserving the same principle, the right of a future Congress to decide that question. That is all this does.

Mr. CRAMER. The statement of policy requires the States in the future to be reimbursed and does not leave discretion to the Congress to decide that.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. We have been having great difficulty in trying to find revenue to take care of a billion and a half of additional expenditures put on this program last year. Where are we going to get the \$4½ billion additional if this proposal is adopted?

Mr. CRAMER. The gentleman points out what the critical issue is and what the cost is going to be. I say that is aggravated even further by the fact that 2 years from now, which is the time when we should properly consider this issue, we are going to find unquestionably that the increased cost of the program is an additional \$13 billion, meaning we will have a \$17 billion deficit to make up if we pass this committee amendment.

I say that is not fiscal responsibility, and I say further if you complain about this 1-cent tax increase, being the method of financing the bill under this proposal, you will far more reason to complain when we try to find \$17 billion to finance the deficit in 1961. This is not the time to make this provision mandatory.

Mr. ROBISON. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from New York.

Mr. ROBISON. Will the gentleman tell me whether or not in his opinion if this is passed and this Congress eventually finds a method of reimbursement, that method could not possibly prescribe that the toll roads would be free?

Mr. CRAMER. I may say to the gentleman that, of course, that would be a fine step in the right direction, but all the bills that have been introduced so far have been to the contrary.

Mr. MICHEL. Mr. Chairman, early in the session, after the President delivered his state of the Union message to the Congress, urging 1½ cents increase in the Federal gasoline tax to keep the interstate highway program on a pay as you go basis and after sensing that Members would be reluctant to pass legislation affecting this much of an increase, I introduced a bill, H.R. 4389, which would have transferred from the general fund to the highway trust fund the \$1.5 billion of excise taxes from automobile parts and accessories.

I am happy that the bill under consideration today embodies in effect part of my proposal. Of course, I must say, Mr. Chairman, that I am in general agreement with those who have spoken before me who would like to see these wartime imposed excise taxes eliminated altogether on automobiles, trucks, parts, and accessories. Since there is so little likelihood of their elimination at this time, it seems only appropriate that the automobile owner paying them should derive some direct benefit by way of better roads on which to drive his automobile. It is still my belief that these excise taxes should be done away with whenever the budget picture improves to the point where we can live with this loss of revenue.

I support the 1-cent-a-gallon increase in tax called for in this bill on the strength of its termination date in 1961 after which the slack in revenue will be taken up in transfer of the excise taxes from the general fund to the trust fund. I am confident that the majority of constituents of my district would much prefer to see the highway-construction program proceed on schedule on a pay-as-you-go basis rather than resorting to further deficit financing. It is true that I represent an area which has already benefited and stands to benefit more in the future from this program by virtue of the heavy earth-moving machinery industry manufactured in my district and which is so vital in the construction of the Interstate Highway System, but I believe the general public throughout the length and breadth of this land is becoming more and more aware that we get only from Government what we pay for and that we cannot expect to continue the roadbuilding program without adequate financing.

The arguments advanced by the distinguished chairman and ranking member of the Ways and Means Committee are sound and in keeping with good business principles. I support the position of the committee in its method for financing the continuation of the program but have a reservation relative to the reimbursement to the States for their toll roads even though we in the

State of Illinois would stand to benefit to the tune of better than \$400 million.

In view of the critical budget picture I just do not see how we can give serious thought at this time to reimbursing the States and local governments for these expenditures when all of them are in much better financial shape than is the Federal Government itself. Mr. Chairman, I appreciate the gentleman yielding to me at this time for these few thoughts, and sincerely hope the Committee will see fit to pass the bill to assure our keeping the highway construction program on schedule.

The CHAIRMAN. The question is on the preferential motion offered by the gentleman from Ohio [Mr. HAYS].

The motion was rejected.

The CHAIRMAN. The question is on the committee amendment.

The question was taken; and on a division (demanded by Mr. BROOMFIELD) there were—ayes 87, noes 144.

Mr. BUCKLEY. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. BLATNIK and Mr. MACK of Washington.

The Committee again divided, and the tellers reported that there were—ayes 98, noes 170.

So the amendment was rejected.

The CHAIRMAN. Are there any further committee amendments?

If not, under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. JENNINGS, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 8678) to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes, pursuant to House Resolution 372, he reported the bill back to the House with sundry amendments, adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

Mr. ROBISON. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. ROBISON. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion offered by the gentleman from New York.

The Clerk read as follows:

Mr. ROBISON moves to recommit the bill to the Committee on Public Works.

Mr. FALLON. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

The motion was rejected.

The SPEAKER. The question is on the passage of the bill.

Mr. HAYS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 243, nays 162, not voting 30, as follows:

Roll No. 160
YEAS—243

Addonizio	Glenn	Moulder
Alexander	Griffin	Mumma
Arends	Gubser	Murphy
Ashley	Hagen	Murray
Aspinall	Halleck	Natcher
Auchincloss	Hardy	Nelsen
Avery	Harris	Norblad
Ayres	Herlong	O'Neill
Bailey	Hess	Osmer
Baker	Hiestand	Ostertag
Baldwin	Hoeven	Patman
Barry	Hoffman, Mich.	Pelly
Bass, N.H.	Holland	Perkins
Bass, Tenn.	Holt	Pfost
Bates	Horan	Porter
Becker	Hosmer	Price
Beckworth	Hull	Prokop
Bennett, Mich.	Ikard	Quie
Bentley	Irwin	Quigley
Berry	Jackson	Rains
Betts	Jennings	Randall
Blatnik	Jensen	Ray
Boland	Johansen	Reece, Tenn.
Bolling	Johnson, Colo.	Reuss
Bowles	Johnson, Md.	Rhodes, Ariz.
Boykin	Johnson, Wis.	Rhodes, Pa.
Boyle	Jones, Ala.	Riley
Brewster	Judd	Rivers, S.C.
Brooks, Tex.	Karsten	Roberts
Broomfield	Karth	Rodino
Brown, Ohio	Kasem	Rogers, Calif.
Buckley	Kastenmeier	Rogers, Mass.
Budge	Kearns	Roosevelt
Burdick	Kee	Rutherford
Burke, Ky.	Keith	Saund
Burke, Mass.	Kilburn	Saylor
Burleson	Kilday	Schenck
Bush	Kilgore	Scherer
Byrnes, Wis.	King, Calif.	Schwengel
Cahill	King, Utah	Shelley
Carnahan	Kirwan	Sheppard
Cederberg	Kluczynski	Short
Chamberlain	Knox	Siler
Chelf	Kowalski	Sisk
Chenoweth	Lafore	Slack
Chiperfield	Laird	Smith, Calif.
Church	Langen	Smith, Miss.
Clark	Lankford	Smith, Va.
Coffin	Latta	Spence
Cohelan	Libonati	Springer
Collier	Lindsay	Stubblefield
Cook	Lipscomb	Teague, Calif.
Corbett	Loser	Teague, Tex.
Cramer	McCormack	Thomas
Curtis, Mass.	McCulloch	Thompson, Tex.
Curtis, Mo.	McDowell	Thomson, Wyo.
Daddario	McFall	Thornberry
Daniels	McIntire	Tollefson
Davis, Tenn.	Macdonald	Trimble
Derounian	Mack, Wash.	Udall
Dixon	Magnuson	Utt
Dooley	Mahon	Vanik
Doyle	Mailliard	Van Zandt
Dwyer	Martin	Vinson
Elliott	Mason	Wainwright
Everett	May	Wallhauser
Evins	Meador	Walter
Fallon	Metcalfe	Watts
Fascell	Michel	Weaver
Felghan	Miller, Clem	Weis
Fenton	Miller,	Wharton
Flood	George P.	Widnall
Foley	Milliken	Wier
Frazier	Mills	Wilson
Frelinghuysen	Moeller	Withrow
Friedel	Monagan	Wright
Fulton	Montoya	Yates
Gallagher	Moorhead	Young
Garmatz	Morgan	Younger
Gathings	Morris, N. Mex.	Zablocki
George	Morris, Okla.	
Giaino	Moss	

NAYS—162

Abbt	Andersen,	Baring
Abernethy	Minn.	Barr
Adair	Anderson,	Barrett
Alford	Mont.	Belcher
Alger	Ashmore	Bennett, Fla.
Allen	Barden	Blitch

Boggs	Grant	O'Hara, Mich.
Bonner	Gray	O'Konski
Bosch	Green, Oreg.	Oliver
Brademas	Green, Pa.	Passman
Bray	Griffiths	Philbin
Breeding	Gross	Pilcher
Brock	Haley	Pillion
Brooks, La.	Halpern	Pirnie
Brown, Ga.	Hargis	Poff
Brown, Mo.	Harmon	Preston
Byrne, Pa.	Harrison	Pucinski
Cannon	Hays	Rabaut
Casey	Healey	Rees, Kans.
Celler	Hébert	Riehlman
Coad	Hechler	Rivers, Alaska
Colmer	Hemphill	Robison
Conte	Henderson	Rogers, Fla.
Cunningham	Hoffman, Ill.	Rogers, Tex.
Curtin	Hogan	Rooney
Davis, Ga.	Holtzman	Rostenkowski
Dawson	Huddleston	Roush
Delaney	Inouye	Santangelo
Dent	Jarman	Scott
Denton	Johnson, Calif.	Selden
Devine	Jonas	Shipley
Diggs	Kelly	Simpson, Ill.
Dingell	Keogh	Simpson, Pa.
Dollinger	Kitchin	Smith, Iowa
Donohue	Landrums	Smith, Kans.
Dorn, N.Y.	Lane	Staggers
Dorn, S.C.	Lennon	Steed
Dowdy	Levering	Stratton
Downing	McGinley	Sullivan
Dulski	McGovern	Taber
Durham	McSween	Taylor
Edmondson	Mack, Ill.	Teller
Farbstein	Madden	Thompson, La.
Fino	Matthews	Toll
Fisher	Merrrow	Tuck
Flynn	Meyer	Ullman
Flynt	Miller, N.Y.	Wampler
Fogarty	Mitchell	Whitener
Forand	Moore	Whitten
Forrester	Morrison	Williams
Fountain	Multer	Willis
Gary	Nix	Winstead
Gavin	Norrell	Wolf
Goodell	O'Brien, Ill.	Zelenko
Granahan	O'Hara, Ill.	

NOT VOTING—30

Albert	Dague	Marshall
Andrews	Derwinski	Minshall
Anfuso	Ford	O'Brien, N.Y.
Baumhart	Hall	Poage
Bolton	Hollifield	Powell
Bow	Jones, Mo.	St. George
Broyhill	Lesinski	Sikes
Canfield	McDonough	Thompson, N.J.
Carter	McMillan	Van Pelt
Cooley	Machrowicz	Westland

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Ford for, with Mr. Sikes against.
Mr. Bow for, with Mr. McMillan against.
Mr. Minshall for, with Mr. Anfuso against.
Mrs. Bolton for, with Mr. Powell against.
Mr. Hollifield for, with Mr. Carter against.
Mr. Baumhart for, with Mr. O'Brien of New York against.
Mr. Albert for, with Mr. Machrowicz against.

Until further notice:

Mr. Hall with Mrs. St. George.
Mr. Andrews with Mr. Broyhill.
Mr. Thompson, of New Jersey with Mr. McDonough.
Mr. Cooley with Mr. Dague.
Mr. Lesinski with Mr. Van Pelt.
Mr. Marshall with Mr. Westland.

Mr. BASS changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. FALLON. Mr. Speaker, I ask unanimous consent that all Members

have 5 legislative days in which to revise and extend their remarks on the bill just passed.

The SPEAKER. Without objection it is so ordered.

There was no objection.

COMMITTEE ON WAYS AND MEANS

Mr. MILLS. Mr. Speaker, I ask unanimous consent that the Committee on Ways and Means have until midnight tonight to file a report, along with supplemental or individual views, on the bill H.R. 9035, relating to the interest rate on savings bonds.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

NET OPERATING CARRYBACKS RESULTING FROM RENEGOTIATION

Mr. MILLS. Mr. Speaker, I call up the conference report on the bill (H.R. 2906) to extend the period for filing claims for credit or refund of overpayments of income taxes arising as a result of renegotiation of Government contracts, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of September 1, 1959.)

Mr. MILLS. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

(Mr. MILLS asked and was given permission to extend his remarks at this point in the Record.)

Mr. MILLS. Mr. Speaker, H.R. 2906, as it passed the House, extended the period of limitation for filing claims for credit or refund for overpayments of income taxes arising as a result of a renegotiation of Government contracts. The general rule relating to claims for credit or refund of income taxes is that such claims must be filed within 3 years from the time the tax return is filed or within 2 years from the time the tax is paid.

H.R. 2906, as it passed the House, changed this by providing that the period for filing a claim for credit or refund for the overpayment of taxes, to the extent attributable to the creation of, or an increase in, a net operating loss carryback resulting from the elimination of excessive profits by a renegotiation of a Government contract is not to expire before the end of 1 year after the month in which the agreement or order for the elimination of the excessive profits becomes final. This means for example, that in a situation where a renegotiation case is in the Tax

Court the taxpayer will have a total of 1 year and 90 days within which to file a claim for credit or refund. This is true because 90 days is allowed after a Tax Court decision within which an appeal may be taken and the language of the bill provides 1 year after the agreement or order for the elimination of excessive profits becomes final within which to file a claim for credit or refund.

The Senate added an amendment providing a tax credit or refund involving an overpayment of income taxes of \$383.64 by Dexter Phillips and Jeanette H. Phillips. The House conferees accepted this Senate amendment because of the equity involved. Briefly, the Phillipses filed a timely refund claim for their overpayment of taxes. The Internal Revenue Service erroneously disallowed this refund claim. By the time the error on the part of the Internal Revenue Service was discovered the time for filing a refund claim had expired. In effect, a timely refund claim was filed and had the Internal Revenue Service handled the claim properly the refund would have been made in the ordinary course of events.

Mr. Speaker, I urge adoption of the conference report on H.R. 2906.

(Mr. SIMPSON of Pennsylvania (at the request of Mr. MILLS) was given permission to extend his remarks at this point in the RECORD.)

Mr. SIMPSON of Pennsylvania. Mr. Speaker, I have concurred with the distinguished chairman of the Committee on Ways and Means in urging the House to approve the conference report on H.R. 2906.

It will be recalled that the House-passed version of this legislation extended the period for filing claims for credit or refund of overpayments of income taxes where such overpayments result from renegotiation findings with respect to Government contracts. The Senate action on this legislation resulted in the adoption of an amendment to provide that notwithstanding any period of limitation otherwise applicable the Secretary of the Treasury or his delegate is authorized to allow a credit or refund on behalf of certain designated taxpayers to the extent that such overpayment is attributable to the erroneous inclusion in gross income for 1952 taxable year of an inheritance received by the taxpayer.

Mr. Speaker, this amendment is meritorious and has been made necessary by an erroneous position taken by a representative of the Internal Revenue Service. It is appropriate that the House conferees have concurred in this Senate amendment.

SOCIAL SECURITY COVERAGE FOR CERTAIN STATE AND LOCAL EMPLOYEES

Mr. MILLS. Mr. Speaker, I call up the conference report on the bill (H.R. 213) to provide additional time within which certain State agreements under section 218 of the Social Security Act may be modified to secure coverage for nonprofessional school district employees, and ask unanimous consent that the statement of the managers on the

part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of September 1, 1959.)

Mr. MILLS. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to. A motion to reconsider was laid on the table.

(Mr. MILLS asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. MILLS. Mr. Speaker, as may be recalled the House passed H.R. 213 unanimously on March 23, 1959, and in the form in which it passed the House the purpose of the bill was to provide an additional period of time within which certain State agreements under section 218 of the Social Security Act may be modified to secure coverage for nonprofessional school district employees.

The Senate amended this bill in several respects, and the conferees, as is indicated by the statement of the managers on the part of the House, concluded that the Senate amendment should be agreed to.

The amendments are as follows:

California, Kansas, North Dakota, and Vermont would be added to the list of States in section 218(p) of the Social Security Act which are permitted to extend old-age, survivors, and disability insurance coverage under agreements with the Department of Health, Education, and Welfare to policemen and firemen in positions covered by State and local retirement systems. As the Members know, this coverage can only be extended by a written referendum wherein the persons affected vote in favor of such coverage.

Another amendment would permit the agreement entered into with the State of Oklahoma under section 218 to be modified so as to make it applicable to services performed in policemen's positions under a State or local retirement system by individuals who are ineligible on the date of enactment of the bill or when last employed in such positions to be members of such retirement systems. This provision would apply only in those cases where the State before 1959 has made payments to the Treasury with respect to part of the services performed by such individuals.

(Mr. SIMPSON of Pennsylvania (at the request of Mr. MILLS) was given permission to extend his remarks at this point in the RECORD.)

Mr. SIMPSON of Pennsylvania. Mr. Speaker, I have joined with the able chairman of the Committee on Ways and Means in urging the House to agree to the conference report on the bill H.R. 213.

It will be recalled that as this legislation passed the House its purpose was to allow the modification of certain State

agreements entered into with the Secretary of Health, Education, and Welfare to provide for old-age and survivors insurance coverage for nonprofessional school district employees. The House-passed legislation allowed an additional period of time in which the agreements could be modified to accomplish this purpose.

The Senate has amended this legislation to include the States of Oklahoma, Kansas, North Dakota, and Vermont in the list of States which are allowed to extend old-age and survivors insurance coverage to services performed by employees of such State or political subdivisions thereof in any policemen's or firemen's positions covered by a State or local retirement system. Under present law there are 12 States which are permitted to extend coverage to policemen and firemen; the list includes Alabama, Florida, Georgia, Maryland, New York, North Carolina, Oregon, South Carolina, South Dakota, Tennessee, Washington, and Hawaii. It should be made clear that the coverage extended to policemen and firemen in any of these States only becomes available after a referendum and a vote in favor of such coverage by the employees affected.

The House conferees have concurred in this Senate amendment.

FREE IMPORTATION OF TOURIST LITERATURE

Mr. MILLS. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 2411) to amend paragraph 1629 of the Tariff Act of 1930 so as to provide for the free importation of tourist literature, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 2, line 3, strike out "Act" and insert "section".

Page 2, after line 6, insert:

"SEC. 2. (a) Paragraph 1720 of the Tariff Act of 1930, as amended (19 U.S.C., sec. 1201, par. 1720), is amended to read as follows:

"'PAR. 1720. Models of inventions and of other improvements in the arts, to be used exclusively as models, or exclusively as exhibits in exhibitions at any college, academy, school, or seminary of learning, any society or institution established for the encouragement of the arts, science, or education, or any association of such organizations.'

"(b) Paragraph 1807 of such Act, as amended (19 U.S.C., sec. 1201, par. 1807), is amended to read as follows:

"'PAR. 1807. (a) Original paintings in oil, mineral, water, vitreous enamel, or other colors, pastels, original mosaics, original drawings and sketches in pen, ink, pencil, or watercolors, or works of the free fine arts in any other media including applied paper and other materials, manufactured or otherwise, such as are used on collages, artists' proof etchings unbound, and engravings and woodcuts unbound, lithographs or prints made by other hand transfer processes unbound, original sculptures or statuary; but the terms "sculpture" and "statuary" as used in this paragraph shall be understood to include professional productions of sculptors only, whether in round or in relief, in bronze, marble, stone, terra cotta, ivory, wood, metal, or other materials, or whether cut, carved, or otherwise wrought by hand from the solid

FEDERAL-AID HIGHWAY ACT OF 1959

SEPTEMBER 4 (legislative day, AUGUST 31), 1959.—Ordered to be printed

Mr. CHAVEZ, from the Committee on Public Works, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 8678]

The Committee on Public Works, to whom was referred the bill (H.R. 8678) to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes, for consideration as to title I, having considered the same, report favorably thereon with amendments, and recommend that the bill, as amended, do pass.

The amendments are shown in the bill as reported in italics.

PURPOSE OF THE BILL

The purpose of title I of H.R. 8678, as amended, is to permit continuation of the Federal-aid highway program on a reasonably uniform but slightly reduced schedule, to prevent serious economic disadvantages which would result from a major cutback in the program, and to amend existing law in certain respects where believed necessary and essential in carrying the program forward.

Title I of the bill, as amended contains the following provisions:

(a) Cites the short title of the bill as the "Federal-Aid Highway Act of 1959."

(b) Amends section 108(b) of the Federal-Aid Highway Act of 1956, as amended, by decreasing the authorization for fiscal year 1961 from \$2.5 billion to \$2 billion.

(c) Amends section 8 of the Federal-Aid Highway Act of 1958, as amended, by giving approval to the latest estimate of cost of completing the Interstate System as the basis for making the apportionment to the States of the funds authorized for the Interstate System for

fiscal year 1962, which would normally be made during the calendar year 1960.

(d) Increases the authorization for funds for parkways for the fiscal year ending June 30, 1960, by \$2 million.

(e) Authorizes the Secretary of Commerce to make a study of the need for extension of the Interstate System to the States of Alaska and Hawaii, and report his recommendations on the routes and mileages to the Congress.

(f) Exempts segments of the Interstate System within present boundaries of incorporated municipalities, or where the land use is now established by State law as industrial or commercial, from the application of the national standards for control of outdoor advertising.

(g) Provides for the use of emergency relief funds for the repair or reconstruction of forest highways, forest development roads and trails, park roads and trails, and Indian reservation roads, whether or not such highways, roads, or trails are on any Federal-aid highway system, with the Federal share of 100 percent payable on account of such work performed with emergency funds on such roads on the public domain.

GENERAL STATEMENT

The Federal-Aid Highway Act of 1956 authorized a new and enlarged Federal-aid highway program of far-reaching consequences that, in its entirety, will be one of the great construction projects of all time. It continued the cooperative effort that has evolved during the life of the Federal-aid highway program begun in 1916, yet included many other provisions the effects of which are only beginning to be realized after about 3 years of operation.

That act recognized the Federal responsibility for the early completion of a National System of Interstate and Defense Highways, a 41,000-mile system of highways of greatest importance to the Nation as a whole, by providing that the Federal Government pay 90 percent of the cost of this segment of our highway system. The act included authorization over a 13-year period, 1957 through 1969, of Federal funds totaling \$25 billion, estimated at that time to be sufficient, with State matching funds, to complete the construction of the entire system as then designated. Financing provisions were included in the act to finance that program over the period from fiscal year 1957 through 1972.

The National System of Interstate and Defense Highways is a most important segment of the Nation's highway system. Comprising about 1.5 percent of the highway mileage it carries about 20 percent of the highway traffic. It connects, as directly as practicable, the principal metropolitan areas, cities, and industrial centers, serves the national defense, and connects with routes of continental importance in Canada and Mexico. It will link together over 90 percent of the cities having populations in excess of 50,000, and connects most of the State capitals, as well as many smaller cities and towns. It will serve well over half of the rural population of the United States.

The 1956 act went beyond previous legislation in prescribing that design standards for the Interstate System should be adequate to accommodate the types and volumes of traffic forecast for the year 1975, and by requiring controlled access as an important feature. It

also established a pay-as-you-go policy for financing the highway program, by establishment of a Federal highway trust fund into which certain receipts from Federal highway-user taxes are to be transferred. The act requires that certain specified highway-user revenues received by the Federal Government shall be expended only for highway purposes.

In the 1956 act, the Congress departed from its normal practice of making biennial authorizations for Federal-aid highway expenditures in authorizing the 13-year program for the Interstate System. This action provided assurance to the States of the Federal determination to provide adequate funds to complete the system within a definite period of time, and assurance to the material and equipment industries, the highway contractors, and others associated with highway construction, that they should make their plans and gear their activities to completion of this huge program within the specified period of time.

The Federal-Aid Highway Act of 1958 provided for a continuation of the Federal-aid highway program on an accelerated basis. It authorized additional funds for fiscal year 1959 for the regular Federal-aid systems, to assist in combating a slight economic recession that was occurring at that time, and continued the program on those systems through 1960 and 1961 on an accelerated basis, as well as for certain of the road systems on the public domain. Recognizing the increase in the estimated cost of completing the National System of Interstate and Defense Highways, the 1958 act authorized additional funds for that system for fiscal years 1959, 1960, and 1961, and provided for apportionment of the interstate funds for 1960 to the States on the basis of the estimated cost of completing the Interstate System in the various States. The act also authorized the apportionment of all Federal-aid highway funds authorized for the fiscal years 1959 and 1960 without regard to the provisions of section 209(g) of the Highway Revenue Act of 1956, which limits apportionment of such funds to amounts available in the highway trust fund.

In his budget message for fiscal year 1960, the President advised that he would recommend legislation to the Congress for a temporary increase of $1\frac{1}{2}$ cents per gallon in the Federal fuel tax to become effective July 1, 1959, and to remain in effect through the fiscal year 1964. He estimated that without this tax increase, the highway trust fund would have a deficit of \$241 million at the end of fiscal year 1960, \$1,059 million at the end of fiscal year 1961, and \$2,166 million at the end of fiscal year 1962.

The Federal Highway Administrator recently advised the committee that the deficit for fiscal year 1960 will be about \$500 million, and that without additional legislation the authorized sum of \$2.5 billion for the Interstate System for fiscal year 1961, which would normally be made in July 1959, could not be apportioned, and that only \$0.5 billion of the \$2.2 billion authorized for fiscal year 1962 could be apportioned in July 1960.

These facts point up the crisis now facing the Federal-aid highway program, where additional legislation is necessary or the program will slow down to a marked degree. The program is well underway, the United States is committed and the States are committed. Fluctuations in an important program such as this are undesirable. Legislative action that would have a severe impact on the program should be carefully considered, however, certain problems should be taken

care of at this time, to at least keep the highway program going on a slightly reduced schedule, and avoid any serious economic impact in the highway field at this time.

The committee has therefore approved the provision of H.R. 8678, as passed by the House of Representatives, reducing the authorization for fiscal year 1961, from \$2.5 billion to \$2 billion. It is understood that present estimates indicate that the highway trust fund can only finance about \$1.8 billion for fiscal year 1961, but that the full \$2 billion can be taken care of by a slight delay of only a few days in reimbursement of vouchers submitted. The committee believes that \$2 billion is the absolute minimum for annual expenditures on the Interstate System, and the program should under no circumstances be reduced below that figure.

APPORTIONMENTS

The approximate apportionments of the Federal-aid highway funds, as authorized by the Federal-Aid Highway Act of 1958 and H.R. 8678, are shown in the following tables:

Approximate apportionment of Federal-aid highway funds for fiscal year 1961 pursuant to H.R. 8678 and Federal-Aid Highway Act of 1958

[In millions]

State	Federal aid				Inter-state System (\$2,000.0)	Total (\$2,925.0)
	Primary (\$416.3)	Secondary (\$277.5)	Urban (\$231.2)	Sub-total ¹ (\$925.0)		
Alabama.....	\$8.5	\$6.6	\$3.0	\$18.1	\$39.4	\$57.5
Alaska.....	22.3	14.9	.1	37.3	-----	37.3
Arizona.....	6.0	4.1	.9	11.0	27.3	38.3
Arkansas.....	6.5	5.3	1.3	13.1	19.9	33.0
California.....	19.2	9.9	20.7	49.8	203.2	253.0
Colorado.....	7.5	5.0	1.9	14.4	15.5	29.9
Connecticut.....	2.7	1.4	4.5	8.6	24.4	33.0
Delaware.....	2.1	1.4	.5	4.0	7.0	11.0
Florida.....	6.5	4.3	4.2	15.0	51.8	66.8
Georgia.....	9.8	7.6	3.4	20.8	48.3	69.1
Idaho.....	4.7	3.3	.4	8.4	13.8	22.2
Illinois.....	15.7	8.4	16.3	40.4	102.5	142.9
Indiana.....	9.7	6.7	5.6	22.0	67.7	79.7
Iowa.....	9.4	7.0	2.8	19.2	19.0	38.2
Kansas.....	9.4	6.6	2.2	18.2	17.9	36.1
Kentucky.....	7.4	6.2	2.4	16.0	35.2	51.2
Louisiana.....	6.2	4.5	3.4	14.1	52.8	66.9
Maine.....	3.3	2.3	1.0	6.6	10.3	16.9
Maryland.....	3.8	2.3	3.9	10.0	45.1	55.1
Massachusetts.....	5.4	2.0	9.7	17.1	55.7	72.8
Michigan.....	12.5	7.6	10.8	30.9	78.6	109.5
Minnesota.....	10.5	7.4	3.8	21.7	37.7	59.4
Mississippi.....	7.0	5.9	1.3	14.2	22.0	36.2
Missouri.....	11.2	7.6	5.7	24.5	57.1	81.6
Montana.....	7.8	5.4	.5	13.7	22.7	36.4
Nebraska.....	7.6	5.4	1.4	14.4	12.3	26.7
Nevada.....	4.7	3.1	.2	8.0	10.5	18.5
New Hampshire.....	2.1	1.4	.7	4.2	11.0	15.2
New Jersey.....	5.6	1.9	10.2	17.7	64.7	82.4
New Mexico.....	6.6	4.6	.8	12.0	24.0	36.0
New York.....	19.5	7.7	31.1	58.3	99.0	157.3
North Carolina.....	10.0	8.7	3.0	21.7	10.8	32.5
North Dakota.....	5.4	4.0	.4	9.8	8.9	18.7
Ohio.....	14.2	8.6	13.4	36.2	130.3	166.5
Oklahoma.....	8.5	6.1	2.5	17.1	18.2	35.3
Oregon.....	6.6	4.6	1.9	13.1	34.7	47.8
Pennsylvania.....	16.7	9.9	17.6	44.2	81.5	125.7
Rhode Island.....	2.1	1.4	1.7	5.2	9.3	14.5
South Carolina.....	5.5	4.6	1.6	11.7	16.5	28.2
South Dakota.....	5.0	4.2	.4	10.5	8.5	19.0
Tennessee.....	8.6	6.8	3.4	18.8	59.3	78.1
Texas.....	25.3	16.9	11.1	53.3	90.3	143.6
Utah.....	4.7	3.1	1.0	8.8	18.7	27.5
Vermont.....	2.1	1.4	.4	3.9	18.9	22.8
Virginia.....	7.7	6.0	3.6	17.3	84.7	102.0
Washington.....	6.6	4.4	3.5	14.5	36.2	50.7
West Virginia.....	4.4	3.9	1.5	9.8	25.1	34.9
Wisconsin.....	9.4	6.6	4.5	20.5	21.1	41.6
Wyoming.....	5.0	3.4	.2	8.6	20.8	29.4
Hawaii.....	2.1	1.4	.8	4.3	-----	4.3
District of Columbia.....	2.1	1.4	2.0	5.5	19.8	25.3
Puerto Rico.....	2.2	2.3	2.0	6.5	-----	6.5

¹ Amounts shown are before deduction of any repayable advances utilized by the States pursuant to sec. 2(e) of the Federal-Aid Highway Act of 1958.

Approximate apportionment of Federal-aid highway funds for fiscal year 1962 pursuant to H.R. 8678 and Federal-Aid Highway Act of 1958

[In millions]

State	Federal aid				Inter-state System (\$2,200.0)	Total (\$3,125.0)
	Primary (\$416.3)	Secondary (\$277.5)	Urban (\$231.2)	Sub-total ¹ (\$925.0)		
Alabama.....	\$8.5	\$6.6	\$3.0	\$18.1	\$43.4	\$61.5
Alaska.....	22.3	14.9	.1	37.3	-----	37.3
Arizona.....	6.0	4.1	.9	11.0	30.0	41.0
Arkansas.....	6.5	5.3	1.3	13.1	21.8	34.9
California.....	19.2	9.9	20.7	49.8	223.6	273.4
Colorado.....	7.5	5.0	1.9	14.4	17.0	31.4
Connecticut.....	2.7	1.4	4.5	8.6	26.8	35.4
Delaware.....	2.1	1.4	.5	4.0	7.7	11.7
Florida.....	6.5	4.3	4.2	15.0	57.0	72.0
Georgia.....	9.8	7.6	3.4	20.8	53.1	73.9
Idaho.....	4.7	3.3	.4	8.4	15.2	23.6
Illinois.....	15.7	8.4	16.3	40.4	112.8	153.2
Indiana.....	9.7	6.7	5.6	22.0	63.4	85.4
Iowa.....	9.4	7.0	2.8	19.2	20.9	40.1
Kansas.....	9.4	6.6	2.2	18.2	19.7	37.9
Kentucky.....	7.4	6.2	2.4	16.0	38.7	54.7
Louisiana.....	6.2	4.5	3.4	14.1	58.1	72.2
Maine.....	3.3	2.3	1.0	6.6	11.3	17.9
Maryland.....	3.8	2.3	3.9	10.0	49.6	59.6
Massachusetts.....	5.4	2.0	9.7	17.1	61.3	78.4
Michigan.....	12.5	7.6	10.8	30.9	86.5	117.4
Minnesota.....	10.5	7.4	3.8	21.7	41.5	63.2
Mississippi.....	7.0	5.9	1.3	14.2	24.2	38.4
Missouri.....	11.2	7.6	5.7	24.5	62.8	87.3
Montana.....	7.8	5.4	.5	13.7	25.0	38.7
Nebraska.....	7.6	5.4	1.4	14.4	13.6	28.0
Nevada.....	4.7	3.1	.2	8.0	11.5	19.5
New Hampshire.....	2.1	1.4	.7	4.2	12.1	16.3
New Jersey.....	5.6	1.9	10.2	17.7	71.2	88.9
New Mexico.....	6.6	4.6	.8	12.0	26.4	38.4
New York.....	19.5	7.7	31.1	58.3	109.0	167.3
North Carolina.....	10.0	8.7	3.0	21.7	11.9	33.6
North Dakota.....	5.4	4.0	.4	9.8	9.7	19.5
Ohio.....	14.2	8.6	13.4	36.2	143.3	179.5
Oklahoma.....	8.5	6.1	2.5	17.1	20.0	37.1
Oregon.....	6.6	4.6	1.9	13.1	38.1	51.2
Pennsylvania.....	16.7	9.9	17.6	44.2	89.7	133.9
Rhode Island.....	2.1	1.4	1.7	5.2	10.3	15.5
South Carolina.....	5.5	4.6	1.6	11.7	18.1	29.8
South Dakota.....	5.9	4.2	.4	10.5	9.3	19.8
Tennessee.....	8.6	6.8	3.4	18.8	65.2	84.0
Texas.....	25.3	16.9	11.1	53.3	99.4	152.7
Utah.....	4.7	3.1	1.0	8.8	20.6	29.4
Vermont.....	2.1	1.4	.4	3.9	20.7	24.6
Virginia.....	7.7	6.0	3.6	17.3	93.2	110.5
Washington.....	6.6	4.4	3.5	14.5	39.8	54.3
West Virginia.....	4.4	3.9	1.5	9.8	27.6	37.4
Wisconsin.....	9.4	6.6	4.5	20.5	23.2	43.7
Wyoming.....	5.0	3.4	.2	8.6	22.9	31.5
Hawaii.....	2.1	1.4	.8	4.3	-----	4.3
District of Columbia.....	2.1	1.4	2.0	5.5	21.8	27.3
Puerto Rico.....	2.2	2.3	2.0	6.5	-----	6.5

¹ Amounts shown are before deduction of any repayable advances utilized by the States pursuant to sec. 2(e) of the Federal-Aid Highway Act of 1958.

AMENDMENTS

The committee recommends certain amendments to title I of H.R. 8678. These amendments are shown in the bill as reported, and were adopted for the most part after receiving testimony from interested persons. These amendments are discussed in more detail in succeeding paragraphs.

PARKWAYS

The committee adopted an amendment to authorize an increase of \$2 million in funds for parkways, which would be immediately avail-

able for contract authority. The purpose of the amendment is to provide funds to permit relocation of 11.4 miles of the Natchez Trace Parkway which would otherwise be flooded by a 22-mile-long lake now under construction by the Pearl River Valley Water Supply District in Mississippi. The district is to supply \$600,000 to assist in construction of a safe, permanent, and adequate highway, with controlled access, which would benefit both the U.S. Government and the local interests. The matter was presented to the Senate Committee on Appropriations, who commented on the merits and desirability of this relocation, but suggested the need for appropriate legislation.

INTERSTATE SYSTEM IN ALASKA AND HAWAII

Section 107 of the Federal-Aid Highway Act of 1956 extended the provisions of the Federal-aid highway program on the regular Federal-aid highway systems to Alaska. Prior to that time, Alaska was not included in the Federal-aid highway program. For some time, Hawaii has been included in the Federal-aid highway program for the regular systems. Due to the importance of our new States to the national defense, the need for adequate highways for their development, and the fact that for years the Territories of Alaska and Hawaii paid the Federal gasoline taxes, and continue to pay such taxes, the committee believes it fair and equitable that the matter of extending the National System of Interstate and Defense Highway to the States of Alaska and Hawaii be considered. Accordingly, it has approved an amendment authorizing and directing the Secretary of Commerce to make a study of the needs for extension of the Interstate System to the States of Alaska and Hawaii, and report to Congress on routes and mileages that should be included in such system in these States, in order that an equitable distribution and proportion of the Interstate System, with the recommended increase, if any, of mileage properly allotted to those States when authorized.

EXEMPTION FROM NATIONAL STANDARDS OF CERTAIN AREAS ADJACENT TO THE INTERSTATE SYSTEM

Subsection 122(b) of the Federal-Aid Highway Act of 1958 permits the exclusion of certain segments of the Interstate System from application of the national standards for control of outdoor advertising, within the discretion of the Secretary of Commerce, upon application of the affected State. The Federal share of the cost of projects is not increased for any segment of the highway excluded from the application of such standards.

The committee adopted an amendment to the existing law which would exclude from the application of the national policy relating to the control of advertising adjacent to the Interstate System those segments within the presently existing boundaries of incorporated municipalities wherein the use of real property adjacent to the Interstate System is subject to municipal regulation or control, or which traverse other areas where the present land use is clearly established by State law as industrial or commercial. This would prevent payment of the increased Federal share of the costs of the projects within those areas.

This automatic exclusion from the national policy and standards would not apply to segments of the Interstate System included within incorporated municipalities or urban areas as a result of future expan-

sion of municipal or urban area boundaries, or from future zoning of property adjacent to an interstate highway as commercial or industrial. This is believed necessary to protect the areas in the vicinity of interchanges, where the present national standards attempt to restrict signs to necessary official signs only.

The committee realizes this to be a controversial subject, but believes this amendment necessary to permit States and municipalities to control the erection of advertising displays within their areas as they desire. This was the intention of the committee when the provisions for the control of outdoor advertising was originally adopted.

The policy for the control of areas adjacent to the Interstate System was stated in the law to promote the safety, convenience, and enjoyment of public travel and the free flow of interstate commerce and to protect the public investment in the Interstate System. It is understood that at the present time no State has entered into agreements with the Secretary of Commerce for the control of advertising along the Interstate System, and that two States have amended their laws and are about ready to enter into agreements with the Secretary.

EMERGENCY RELIEF

Section 7 of the Federal-Aid Highway Act of 1952, as amended by section 118 of the Federal-Aid Highway Act of 1956, authorized the establishment of an emergency fund of \$30 million for expenditure by the Secretary of Commerce, in accordance with the provisions of the Federal-aid highway laws, after receipt of an application from the highway department of any State, in the repair or reconstruction of highways and bridges on the Federal-aid highway systems, including the Interstate System, which he finds has suffered serious damage as a result of disaster over a wide area, such as by floods, hurricanes, tidal waves, earthquakes, landslides, or other catastrophes in any part of the United States.

The existing law authorizes necessary appropriations for the establishment of the emergency fund and its replenishment on an annual basis as necessary. It also provides that no expenditures shall be made with respect to any such catastrophe in any State unless an emergency has been declared by the Governor of such State and concurred in by the Secretary of Commerce, and that the Federal share payable on account of any repair or reconstruction project provided for by funds made available under these emergency provisions shall not exceed 50 percent of the costs thereof.

The committee proposes an amendment which would exempt forest highways, forest development roads and trails, park roads and trails, and Indian roads, from the necessity of an application therefor from State highway departments, and from the declaration of an emergency by the Governor of the State concurred in by the Secretary of Commerce.

It authorizes the Secretary to expend these emergency funds either independently or in cooperation with any other branch of the Government, State agency, organization, or person for the repair or reconstruction of roads on Federal lands whether or not such roads are located on any of the Federal-aid highway systems, and permits the Federal share of the costs of such repairs or reconstruction of such projects to amount to 100 percent.

One of the major aftermaths to the earthquake in southwestern Montana has been the need for repairing and reconstructing highways and roads. It is estimated that this cost will approximate \$6 million. These highways and roads in southwestern Montana and Yellowstone National Park that are in need of repair and reconstruction are all forest, park, or Indian roads and highways that were originally constructed entirely at Federal expense. Unfortunately, the matching formula of 50-50 in the emergency relief law applies to forest, park, and Indian roads, even though they were originally constructed with 100 percent Federal funds. The committee believes it reasonable that repair and reconstruction of roads on the Federal domain damaged from any catastrophe should be prosecuted on a 100 percent Federal financing basis, which will not place an added burden on the program of either the States or any Federal agency. This amendment would apply to any situations similar to the recent earthquake in southwestern Montana.

DISCUSSION

The committee is cognizant of the fact that the entire economy of the United States is largely dependent upon motor-vehicle transportation. With an estimated motor-vehicle registration in 1959 exceeding 70 million, an increase of over 3 percent since 1958, the necessity for providing an adequate system of highways to accommodate present traffic conditions is apparent. The Congress, by its actions in approving the Federal-Aid Highway Acts of 1956 and 1958, has met its responsibilities in attempting to correct the deficiencies in the present highway systems.

Recognizing the importance of the highway systems to national defense and the economic development of our Nation, the committee has followed closely the progress and status of the highway program. It has been advised that on a nationwide basis the highway program is on schedule, although there is a lag in some States, while others are well advanced. A report on the progress of the highway program was submitted to the Congress by the Secretary of Commerce on January 31, 1959, and is printed as House Document No. 74, 86th Congress, 1st session.

The committee believes that H.R. 8678, as amended, will provide a solution to some of the urgent problems and maintain the Federal-aid highway program essentially on schedule for the next 2 years. The committee believes this to be essential and pressing legislation, and recommends its early enactment.

ANALYSIS

TITLE I. FEDERAL-AID HIGHWAY PROGRAM

Section 101

This section provides that the bill may be cited as the "Federal-Aid Highway Act of 1959."

Section 102

The Federal-Aid Highway Act of 1956 authorized the appropriation of \$2.2 billion for fiscal year 1961 for the Interstate System. The Federal-Aid Highway Act of 1958 increased that authorization to \$2.5

billion. Section 102 amends section 108(b) of the act of 1956, as amended, by decreasing the amount authorized for the Interstate System for fiscal year 1961 from \$2.5 billion to \$2 billion.

Section 103

This section amends section 8 of the Federal-Aid Highway Act of 1958, as amended, by giving approval to the estimate of cost of completing the Interstate System, transmitted to Congress in compliance with section 108(d) of the Federal-Aid Highway Act of 1956, published as House Document 300, 85th Congress, 2d session, as the basis for making the apportionment to the States during the calendar year 1960 of the funds authorized for the Interstate System for the fiscal year 1962.

Section 8 of the Federal-Aid Highway Act of 1958, as amended by Public Law 899, 85th Congress, approved the estimate of cost of completing the Interstate System as the basis for making the apportionment of funds authorized for the Interstate System for the fiscal years ending June 30, 1960, and June 30, 1961. The new estimate of the cost of completing the Interstate System to be submitted to the Congress in January 1961 for use as the basis for apportioning funds for the Interstate System for fiscal years 1963, 1964, 1965, and 1966, will not be available in time to serve as a basis for apportionment during the calendar year 1960 for funds for fiscal year 1962. The estimate of cost which was submitted to the Congress in 1958, should, therefore, be approved in order to permit the apportionment of funds for the Interstate System for fiscal year 1962.

Section 104

Section 4(b) of the Federal-Aid Highway Act of 1958 authorized the appropriation of \$16 million for fiscal year 1960 for the construction, reconstruction, and improvement of parkways. Section 6 of that act provided contract authorization for authorized parkway funds upon a date not earlier than 1 year preceeding the beginning of the fiscal year for which authorized.

Section 104 increases the authorization for funds for parkways for the fiscal year ending June 30, 1960, by \$2 million.

Section 105

Authorizes the Secretary of Commerce to make a study of the need for extension of the Interstate System to the States of Alaska and Hawaii, and report his recommendations on the routes and mileages to the Congress.

Section 106

Exempts segments of the Interstate System within present boundaries of incorporated municipalities, or where the land use is now established by State law as industrial or commercial, from the application of the national standards for control of outdoor advertising.

Section 107

Provides for the use of emergency relief funds for the repair or reconstruction of forest highways, forest development roads and trails, park roads and trails, and Indian reservation roads, whether

or not such highways, roads, or trails are on any Federal-aid highway system, with the Federal share of 100 percent payable on account of such work performed with emergency funds on such roads on the public domain.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of the rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill as reported are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

SECTION 108(b) OF THE FEDERAL-AID HIGHWAY ACT OF 1956, AS AMENDED

SEC. 108. NATIONAL SYSTEM OF INTERSTATE AND DEFENSE HIGHWAYS.

* * * * *

(b) **AUTHORIZATION OF APPROPRIATIONS.**—For the purpose of expediting the construction, reconstruction, or improvement, inclusive of necessary bridges and tunnels, of the Interstate System, including extensions thereof through urban areas, designated in accordance with the provisions of section 7 of the Federal-Aid Highway Act of 1944 (58 Stat. 838), there is hereby authorized to be appropriated the additional sum of \$1,000,000,000 for the fiscal year ending June 30, 1957, which sum shall be in addition to the authorization heretofore made for that year, the additional sum of \$1,700,000,000 for the fiscal year ending June 30, 1958, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1959, the additional sum of \$2,500,000,000 for the fiscal year ending June 30, 1960, the additional sum of ~~[\$2,500,000,000]~~ *\$2,000,000,000* for the fiscal year ending June 30, 1961, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1962, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1963, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1964, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1965, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1966, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1967, the additional sum of \$1,500,000,000 for the fiscal year ending June 30, 1968, and the additional sum of \$1,025,000,000 for the fiscal year ending June 30, 1969.

SEC. 8. APPROVAL OF ESTIMATE OF COST OF COMPLETING THE INTERSTATE SYSTEM.

The estimate of cost of completing the Interstate System in each State, transmitted to the Congress on January 7, 1958, by the Secretary of Commerce pursuant to the provisions of section 108(d) of the Act approved June 29, 1956 (70 Stat. 374), and published as House Document Numbered 300, Eighty-fifth Congress, second session, is hereby approved as the basis for making the apportionment of the funds authorized for the Interstate System for the fiscal years ending June 30, 1960, June 30, 1961, *and June 30, 1962.*

[125. Emergency relief.

[An emergency fund is authorized for expenditure by the Secretary in accordance with the provisions of this section. The Secretary may expend funds therefrom, after receipt of an application therefor from a State highway department, for the repair or reconstruction of highways and bridges on the Federal-aid highway systems, including the Interstate System, in accordance with the provisions of this chapter which he shall find have suffered serious damage as the result of disaster over a wide area, such as by floods, hurricanes, tidal waves, earthquakes, severe storms, landslides, or other catastrophes in any part of the United States. The appropriations of such moneys, not to exceed \$30,000,000, as may be necessary for the initial establishment of this fund and for its replenishment on an annual basis is authorized. Pending such appropriation or replenishment, the Secretary may expend from existing Federal-aid highway appropriations, such sums as may be necessary for the immediate prosecution of the work herein authorized, such existing appropriations to be reimbursed from the appropriation hereinabove authorized when made. No funds shall be expended under the provisions of this section with respect to any such catastrophe in any State unless an emergency has been declared by the Governor of such State and concurred in by the Secretary.]

125. Emergency relief.

(a) *An emergency fund is authorized for expenditure by the Secretary, subject to the provisions of this section and section 120, for the repair or reconstruction of highways, roads, and trails which he shall find have suffered serious damage as the result of disaster over a wide area, such as by floods, hurricanes, tidal waves, earthquakes, severe storms, landslides, or other catastrophes in any part of the United States. The appropriation of such moneys, not to exceed \$30,000,000, as may be necessary for the initial establishment of this fund and for its replenishment on an annual basis is authorized. Pending such appropriation or replenishment the Secretary may expend from any funds heretofore or hereafter appropriated for expenditure in accordance with the provisions of this title, including existing Federal-aid appropriations, such sums as may be necessary for the immediate prosecution of the work herein authorized, such appropriations to be reimbursed from the appropriations herein authorized when made.*

(b) *The Secretary may expend funds from the emergency fund herein authorized for the repair or reconstruction of highways on the Federal-aid highway systems, including the Interstate System, in accordance with the provisions of this chapter. Except as to highways, roads, and trails mentioned in subsection (c) of this section, no funds shall be so expended unless the Secretary has received an application therefor from the State highway department, and unless an emergency has been declared by the Governor of the State and concurred in by the Secretary.*

(c) *The Secretary may expend funds from the emergency fund herein authorized, either independently or in cooperation with any other branch of the Government, State agency, organization, or person, for the repair or reconstruction of forest highways, forest development roads and trails, park roads and trails, and Indian reservation roads, whether or not such highways, roads, or trails are on any of the Federal-aid highway systems.*

131. Areas adjacent to the Interstate System.

(b) AGREEMENTS.—The Secretary of Commerce is authorized to enter into agreements with State highway departments (including such supplementary agreements as may be necessary) to carry out the national policy set forth in subsection (a) of this section with respect to the Interstate System within the State. Any such agreement shall include provisions for regulation and control of the erection and maintenance of advertising signs, displays, and other advertising devices in conformity with the standards established in accordance with subsection (a) and may include, among other things, provisions for preservation of natural beauty, prevention of erosion, landscaping, reforestation, development of viewpoints for scenic attractions that are accessible to the public without charge, and the erection of markers, signs, or plaques, and development of areas in appreciation of sites of historical significance. [Upon application of the State, any such agreement may, within the discretion of the Secretary of Commerce, consistent with the national policy, provide for excluding from application of the national standards segments of the Interstate System which traverse incorporated municipalities wherein the use of real property adjacent to the Interstate System is subject to municipal regulation or control, or which traverse other areas where the land use is clearly established by State law as industrial or commercial:] *This section shall not apply to those segments of the Interstate System within the presently existing boundaries of incorporated municipalities wherein the use of real property adjacent to the Interstate System is subject to municipal regulation or control, or which traverse other areas where the land use, as of the date of approval of this Act, is clearly established by State law as industrial or commercial: Provided, however, That any such segment excluded from the application of such standards shall not be considered in computing the increase of the Federal share payable on account thereof.*

120. Federal share payable

[(f) The Federal share payable on account of any repair or reconstruction provided for by funds made available under section 125 of this title shall not exceed 50 per centum of the cost thereof.]

(f) *The Federal share payable on account of any repair or reconstruction provided for by funds made available under section 125 of this title shall not exceed 50 per centum of the cost thereof, except that the Federal share payable on account of any repair or reconstruction of forest highways, forest development roads and trails, park roads and trails, and Indian reservation roads, may amount to 100 per centum of the cost thereof, whether or not such highways, roads or trails are on any Federal-aid highway system. Any project agreement for which the final voucher has not been approved by the Secretary on or before the date of this Act may be modified to provide for the Federal share authorized herein.*

MINORITY VIEWS IN OPPOSITION TO SECTION 106 OF TITLE I OF H.R. 8678

Section 106 of title I proposes to amend the present law (sec. 131, title 23, U.S.C., "Highways", par. b), which was enacted as a part of the Federal-Aid Highway Act of 1958, and which provides for negotiation of agreements between the States and the Secretary of Commerce relating to control of roadside advertising along highways of the Interstate System.

The present law provides that the question of inclusion or exclusion of incorporated municipalities and State-zoned commercial and industrial land within the scope of the State-Federal cooperative agreement for roadside protection will be determined by the States, with the approval of the Secretary of Commerce, consistent with the national standards.

The proposed amendment would, by statutory declaration, exclude highways within incorporated municipalities and State-zoned commercial and industrial lands from any application of those portions of the 1958 Federal-Aid Highway Act which provide for cooperative control of areas adjacent to the right-of-way of the Interstate System.

The proposed amendment would destroy a carefully worked-out balance of Federal, State, and municipal relationships which, as now contained in the Federal-aid highway law, is eminently sound and absolutely essential.

STATE-MUNICIPAL RELATION SHOULD NOT BE DISTURBED

The provisions of the Federal-Aid Highway Act of 1958 were drafted to offer the greatest possible measure of flexibility for the States in developing roadside protection programs that took account of the varying legal and factual differences prevailing within incorporated municipalities and State zoning controls. Wisely and advisedly, Congress in 1958 did not compel States to include all municipal areas within their roadside protection programs, but rather left it up to the States to determine whether these areas should be excluded from statewide control programs. In this way, municipalities with home-rule status or factual circumstances making inclusion within statewide programs undesirable or unnecessary could be excluded on the initiative of the State in accordance with the State's constitutional or statutory relationship with its political subdivisions.

Just as it would have been a serious invasion of the States rights and powers for the Federal-Aid Highway Act to *require the inclusion* of municipal and other State areas in the statewide roadside protection programs, so it is an equally grave mistake to now propose that the States be *required to exclude* these areas. The whole history and tradition of the Federal-aid highway program is characterized by careful adherence to the principle of cooperation rather than compulsion; this principle should not now be destroyed by enacting a Federal mandate that arbitrarily denies the power of the States to deal with certain portions of their State lands in accordance with their own policies and desires.

AMENDMENT DESTROYS EFFECTIVE ROADSIDE PROTECTION

Complete exclusion of areas in municipalities and other State-zoned lands will destroy the effectiveness of State roadside protection programs and vastly weaken the implementation of the national policy expressed in the 1958 Federal-Aid Highway Act. The language of the amendment applies to all areas within the boundaries of incorporated municipalities regardless of whether local governments have exercised their powers to control roadside advertising. Proponents of the amendment have stated that within large cities there is little need to supplement existing local controls with additional State programs. They do not recognize, however, that the amendment would also exclude thousands of little towns where small central business districts are surrounded by miles of residential areas or undeveloped land still within the geographical boundaries of the town. Many miles of highway, technically within the incorporated area of the town but practically indistinguishable from unincorporated rural highways, would thus be arbitrarily removed from the scope of the Federal-State roadside program. Under the terms of the amendment, States who wish to take advantage of the Federal billboard-control incentive program would be unable to carry out a rational plan of advertising control because of these exclusions which are unrelated to highway engineering needs. The amendment would prohibit States from collecting Federal bonus funds for any signboard regulation project in an urban, industrial, or commercial area—even if the State actually controlled advertising in the area.

The operation of the amendment would "blanket out" of the States' roadside protection programs some areas where control is most needed for the safety and convenience of travel on the Interstate System; namely, in the vicinity of interchanges in metropolitan areas.

The American Automobile Association has pointed out:

Control of roadside advertising in the area of interchanges in municipal and metropolitan areas is vitally important to the effectiveness of official routing and traffic control signs—more imperative probably, than in rural areas. Traffic flow and safety is jeopardized when motorists must cope with uncontrolled competition of commercial advertising and officials signs near interchanges on high speed expressways.

A recent study of expressway signboarding, conducted by the California Division of Highways and the Automotive Safety Foundation, published in September 1958, has revealed significant new evidence of motorists' behavior under the pressures of expressway travel in metropolitan areas, and has emphasized the necessity of eliminating conditions which confuse drivers regarding directions. Motorists on expressways, driving in high-speed traffic and generally with minimum-speed limits, risk their lives if they are hampered in securing clear and precise guidance from official signs in sufficient time to safely aline themselves in traffic and make their turnoffs.

The varying conditions around urban areas and in the metropolitan fringes of cities make it both logical and practical for the States to determine where exclusions are desirable. This is not a proper subject for Congress to determine by automatically removing such areas from the scope of State-Federal cooperative action.

RECENT STATE LEGISLATION IN RELIANCE ON THE 1958 FEDERAL-AID
POLICY

Several States have already enacted legislation in reliance upon the provisions of the 1958 Federal-Aid Highway Act which the amendment proposes to change. Connecticut, Maine, Maryland, Ohio, and Vermont have, during 1958 and 1959, enacted laws designed to permit their State highway departments to negotiate cooperative roadside advertising-control agreements with the Secretary of Commerce on the basis of the 1958 Federal-aid law. North Dakota, in 1959, enacted legislation authorizing its highway department to control roadside advertising by purchase of advertising rights adjacent to the right-of-way. Other States, acting in anticipation of legislative sessions in 1960 and 1961, have prepared draft bills in reliance upon legal opinions of the U.S. Bureau of Public Roads and attorneys general of the States which were rendered on the basis of the present Federal-aid highway laws.

It would be manifestly inequitable for Congress now to "change the rules in the middle of the game" and, in the case of some States, render meaningless the legislation which they have enacted. This is a distinct possibility in regions such as New England, where incorporated municipalities are basic political subdivisions of the State with contiguous boundaries. In such cases, blanket exclusion of incorporated municipal areas might be construed as rendered practically the entire area of a State ineligible to participate in the Federal-aid roadside protection program.

Proponents of the amendment have argued that the lack of widespread State legislation during 1959 indicates an unwillingness to act so long as municipal areas are not excluded. This conclusion is not warranted by the facts. A more accurate description of the situation would appear to be that the enactment of the Federal-Aid Highway Act of 1958 and the subsequent promulgation of the national standards occurred too late in the year to permit advance study and preparation of draft legislation by most States. Consequently, and since the Federal-Aid Highway Act of 1958 permits the States until July 1, 1961, to enact the laws necessary to provide a basis for negotiation of cooperative agreements with the Secretary of Commerce, it is natural that many States have preferred to take final action at their next legislative session rather than during 1959. There is ample evidence from the draft legislation submitted for study by the States that widespread interest exists in going forward with the implementation of the national policy declared by Congress in the Federal-aid highway law.

FULL INVESTIGATION SHOULD PRECEDE ANY REVISION OF THE LAW

The amendment was added to the bill without the benefit of public hearing. Moreover, it represents a change in a portion of the Federal-aid highway law. If this section of the Federal-aid highway law is now to be revised, it would seem obviously desirable that the Committee on Public Works inform itself fully on the background and operation of this section before taking action to revise it.

The legislative history of the section relating to control of roadside areas shows that it was drafted with full recognition of the varying

legal and constitutional problems of the States and their municipalities, and the varying highway engineering needs of municipal areas. The language of the present law was carefully drafted so as to preserve the balance of powers between the Federal and State Governments, and give the States maximum flexibility in dealing with municipal needs.

The Department of Commerce, which is responsible for administration of section 122 of the Highway Act of 1958, has indicated its strong opposition to the intent of this amendment in views filed June 18, 1959, with the House Public Works Committee on H.R. 4886, a bill containing similar language. At that time the Department stated:

THE SECRETARY OF COMMERCE,
Washington, D.C., June 18, 1959.

HON. CHARLES A. BUCKLEY,
*Chairman, Committee on Public Works,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your recent request for the views of this Department in connection with H.R. 4886, a bill providing for the amendment of title 23, section 131 of the United States Code (sec. 122 of the Federal-Aid Highway Act of 1958), to clarify the said section with relation to municipalities and areas zoned under the laws of the States, and to recognize the laws of the States relating thereto.

The Department is opposed to the enactment of H.R. 4886.

The bill would change existing law by automatically excluding areas in municipalities and other areas zoned industrial or commercial from the application of the national policy relating to the control of advertising adjacent to the Interstate System.

To the extent that the control of outdoor advertising adjacent to those segments of the Interstate System which are located in municipalities, or other areas, wherein the land use is clearly established by State law as industrial or commercial, is necessary to promote the safety, convenience, and enjoyment of public travel, the free flow of interstate commerce, and to protect the public investment in the Interstate System, those areas should not be excluded from the application of the national policy contained in section 131 of title 23. The control of advertising in such urban or other areas may be even more desirable and important to the promotion of safety, preservation of scenic values and protection of the public investment as in rural areas.

Under the terms of the existing statute, the Federal share of the cost of projects is increased only with respect to those projects to which the national policy and standards apply. The existing law permits exclusion of certain areas from application of the national standards, within the discretion of the Secretary of Commerce, upon application of the affected State. This provision allows the States and the Secretary to give proper consideration and to take appropriate action concerning specific areas, on the basis of conditions and circumstances existing in that locale. Making the statute inapplicable to segments of the Interstate System within incorporated municipalities or urban areas, without regard to circumstances or the desires of the State involved, would prevent payment of the increased Federal share on account of projects within such areas, even if the State

actually controlled advertising therein, consistent with the national standards. This could largely defeat the purpose of the existing law, particularly in the thickly populated and urbanized States of the eastern part of the United States.

It is to be noted that, under the wording of H.R. 4886, the national policy and standards would cease to apply to segments of the Interstate System included within incorporated municipalities or urban areas as a result of future expansion of municipal or urban area boundaries. Similar effects would result from future zoning of property adjacent to an interstate highway as commercial or industrial. This is true even though Federal funds had previously been paid to a State on account of effected control of advertising within such areas.

The speed and volume of traffic moving upon the Interstate System are such that distraction of attention of vehicle operators from official traffic signs and signals would create extreme hazards. This is particularly true at interchanges, and in areas approaching interchanges. The national standards promulgated by the Secretary recognize this fact and, accordingly, provide for the elimination of outdoor advertising signs at interchanges, and within 2 miles approaching and within 1,000 feet beyond interchanges, where most official signs will be located.

The hazards existing at an interchange, and the necessity for close attention of vehicle operators, will increase as the volume of traffic utilizing the interchange increases. It is expected that the greatest and most rapid development of property will occur in the vicinity of interchanges on the Interstate System, and that most municipalities and urban areas will expand in the direction of such interchanges. Such development and expansion will inevitably be accompanied by a substantial increase in the volume of traffic. Providing that the national policy and standards concerning outdoor advertising will cease to apply to segments of the Interstate System as such segments become enveloped by the boundaries of expanding municipalities and urban areas would seem to be eliminating outdoor advertising control at the time and in the areas where it is most needed.

Any automatic exclusion of portions of the Interstate System in areas which would otherwise be subject to outdoor advertising control, would seem to detract from the underlying principle of the national policy and the efficacy of the program established by Congress.

For the foregoing reasons, this Department is opposed to the enactment of H.R. 4886.

We have been advised by the Bureau of the Budget that it would interpose no objection to the submission of this letter.

Sincerely yours,

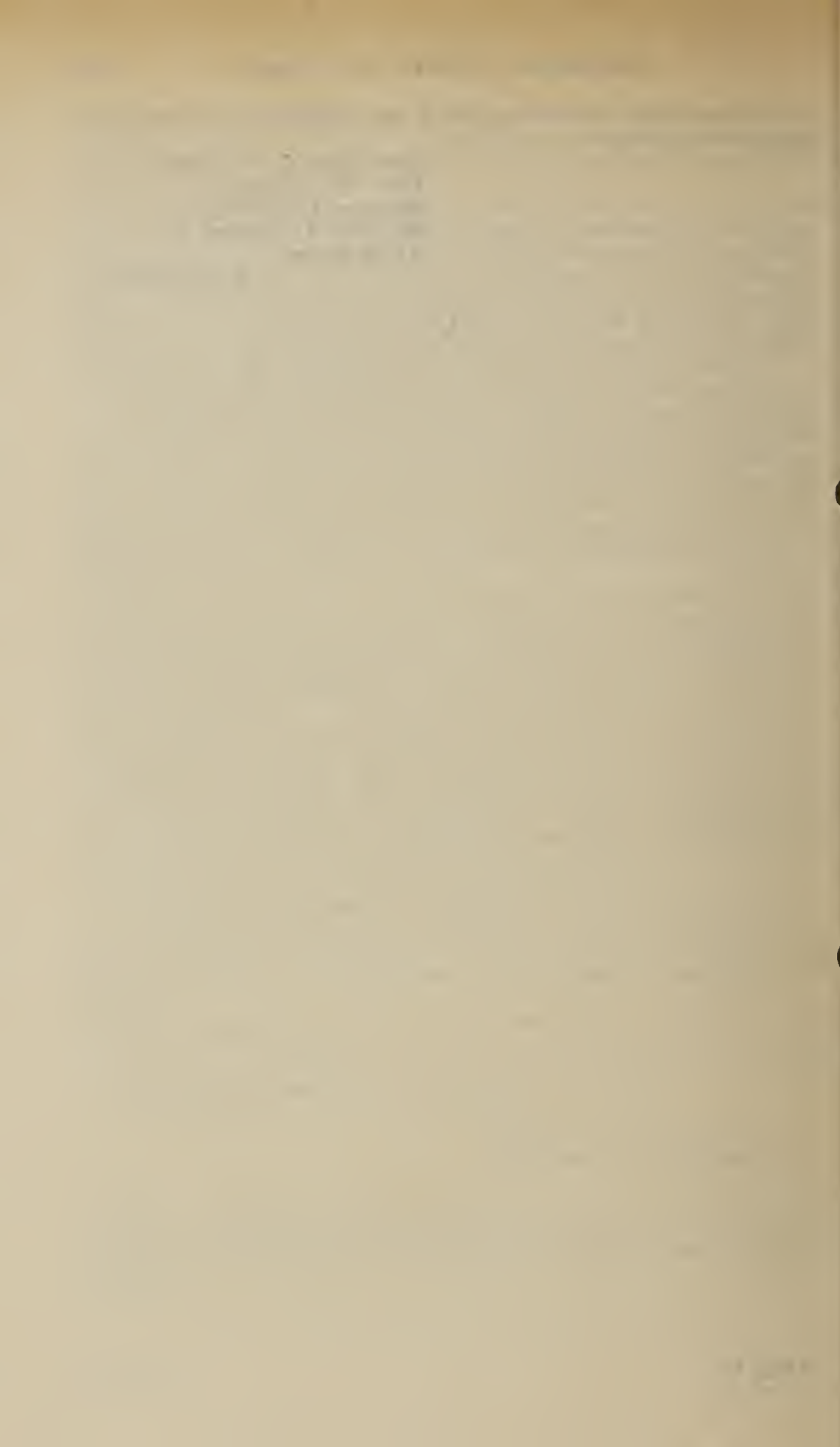
FREDERICK H. MUELLER,
Under Secretary of Commerce.

This is a highly controversial amendment. It is opposed by the administration, and by many groups and organizations throughout the Nation. It was added to the bill without a single minute of public hearings.

It is our opinion that enactment of this legislation is neither sound policy nor procedure.

JOHN SHERMAN COOPER,
THOS. E. MARTIN,
RICHARD L. NEUBERGER,
WINSTON L. PROUTY,
HUGH SCOTT,
U.S. Senators.

○



FEDERAL-AID HIGHWAY ACT OF 1959

SEPTEMBER 4 (legislative day, AUGUST 31), 1959.—Ordered to be printed

Mr. BYRD of Virginia, from the Committee on Finance, submitted the following

REPORT

together with

INDIVIDUAL AND MINORITY VIEWS

[To accompany H.R. 8678]

The Committee on Finance, to whom was referred the bill (H.R. 8678) to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes, for consideration as to title II, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

I. GENERAL STATEMENT

Title II is designed primarily to provide additional revenue for the Federal-aid highway program which is financed through the highway trust fund. Without legislation providing further funds for this program it is estimated that there would be a deficit in the trust fund by the end of the fiscal year 1960 of \$490 million, assuming provision is made for the payment of apportionments already made. At the end of the fiscal year 1961 an accumulated deficit of \$980 million is in prospect even if no further apportionments are made, and if the apportionments now authorized are made, it is estimated that there would be an accumulated deficit of \$1,305 million in the fund in that year.

To meet this immediate problem this title as amended provides for—

1. The imposition of an additional 1 cent tax on gasoline, diesel fuel, and special motor fuels for the 21-month period beginning October 1, 1959, and ending June 30, 1961. For this period this generally will raise gasoline and related fuel taxes to 4 cents a gallon.

2. The allocation to the highway trust fund of 5 percentage points of the manufacturers' excise tax on passenger cars, etc., and of 5 percentage points of the tax on auto parts and accessories. This allocation is to be made for the 3-year period beginning on July 1, 1961, and ending on June 30, 1964.

The gasoline and related fuel taxes are expected to increase revenues of the highway trust fund by \$333 million in the fiscal year 1960, by \$577 million in the fiscal year 1961, and by \$75 million in the fiscal year 1962, or result in an increase in highway trust fund revenues of \$985 million. The passenger car and auto parts taxes are expected to increase revenues of the highway trust fund by \$802 million in the fiscal year 1962, by \$831 million in the fiscal year 1963, and by \$854 million in the fiscal year 1964. This will result in an increase in the highway trust fund revenues during this 3-year period of \$2.487 billion. This, together with the additional gasoline and related fuel taxes added by this bill will result in additional revenues for the highway trust fund during the 5 fiscal years immediately ahead of \$3.472 billion.

This additional revenue, combined with the present revenues of this fund, your committee understands, will make it possible to provide for apportionments for the Interstate System of \$1.8 billion for the fiscal year 1961 and \$2 billion for the fiscal year 1962. This is in addition to the \$2.5 billion of apportionments already made for the fiscal year 1960. These apportionments can be made without any further suspension of the limitation on the trust fund, the so-called Byrd amendment, which limits apportionments, with respect to the Interstate System, to the anticipated amount in the fund at the time the apportionments are expected to be translated into trust fund expenditures. A small deficit of approximately \$157 million is anticipated at the close of the fiscal year 1960. In addition, a temporary deficit during the fiscal year 1960 of about \$300 million must be provided for by temporary borrowing from the general fund. However, this can be repaid to the general fund from trust fund receipts before the end of the fiscal year 1960 except for the \$157 million referred to above. A yearend deficit of \$50 million is also expected in 1961, but no such deficit is anticipated for 1962. Temporary borrowing will also be necessary during the fiscal years 1961 and 1962.

The additional revenues provided by title II will continue the highway trust fund on an independently financed basis and will mean that the highway program will have no effect on the general Government budget in the fiscal years 1960 or 1961. Even in the 3 following years it need have little effect upon the general budget since only 7 of the present 10 percentage points of the manufacturers tax on passenger automobiles now in effect are allocated to the general fund for the fiscal years 1962 through 1964 and in the case of the tax on auto parts and accessories only 5 of the 8 percentage points now in effect are allocated to the general fund for these years.

The bill also makes a change relating to the time of the imposition of the gasoline tax. Presently, this tax is payable by the producer or importer at the time he makes his sale. Thus, in the case of the integrated company no tax is collected until after the time of the sale to the service station or to the ultimate consumer. Where sales are made to independent wholesalers, however, the tax is presently collected at the time of that sale. This bill as amended permits the wholesale distributor, and a dealer selling gasoline exclusively to pro-

ducers, to purchase gasoline tax free and then pay the tax at the time of his sale. This is accomplished by treating the wholesale distributors of gasoline, and these dealers, as "producers" for purposes of this tax. This change is to be effective on January 1, 1960.

II. REASONS FOR THE HIGHWAY FINANCING PROVIDED BY THE BILL

In 1956 the Congress enacted a greatly expanded program of Federal aid for interstate highways. At that time Congress decided that this Interstate System, as well as the other Federal-aid highway programs (usually referred to as the ABC program) should be separately financed through a special highway trust fund in order to maintain these programs on an independent basis. Such a highway trust fund was established for the 16-year period from June 30, 1956, to July 1, 1972. Into this trust fund are deposited certain highway-user excise taxes, namely, all of the taxes on gasoline, diesel fuel, special motor fuel, tread rubber, tires of the type used on highway vehicles (taxed at 8 cents per pound), other tires (taxed at 5 cents per pound), and inner tubes and on the use of highway vehicles weighing over 26,000 pounds. In addition, half of the 10-percent manufacturers tax on trucks, buses, and trailers goes into the fund. From these receipts the expenditures required by both the Interstate System, estimated at \$25 billion for the Federal Government's share in 1956, and the ABC (primary, secondary, and urban) highway programs are financed.

A special subsection (section 209(g)) in the Highway Revenue Act of 1956, frequently referred to as the Byrd amendment, was designed to give assurance that on a year-by-year basis no deficit would develop in the highway trust fund. This result was to be obtained by requiring that before apportionments of Federal-aid highway funds can be made to the States for the Interstate System, estimates must be made of the revenues which are expected to be in the fund by the end of the year the expenditures arising from the apportionment occur. Then, to the extent that these estimates show that there would be any deficiency in the fund, the Secretary of Commerce is required to reduce the apportionments to the States.

At the time of the adoption of the new Federal-aid highway program in 1956 it was anticipated that the trust fund would be self-financing over the entire 16-year period although it was anticipated that there would be reductions in apportionments in the early year of the program to be made up in the latter years. A number of events have occurred, however, since that time which have altered these expectations. Some of these are of a short-run character and have an immediate effect on the highway trust fund, while others are expected to have more of a long-term impact. Title II of this bill is intended to meet only the former, as the Congress will have opportunity to deal with the latter following the receipt of a highway-user cost allocation study report from the Bureau of Public Roads in January 1961.

Short-term financing problems.—The immediate problem confronting the highway trust fund in large measure arises from the action taken by Congress last year in Public Law 85-381 (72 Stat. 89; approved Apr. 16, 1958). Under the action in 1958, Congress increased by \$1.6 billion the immediate drain on funds in the highway trust fund. This resulted both from the suspension for the fiscal years 1959 and 1960 of

the Byrd amendment limiting apportionments and from specific directions to increase apportionments for these 2 years. The effect was to increase apportionments for the Interstate System by \$200 million for the fiscal year 1959 and by \$900 million for the fiscal year 1960. As an antirecession measure, this act also directed that \$400 million additional be apportioned under the ABC program and for \$115 million in loans to be made available under this program, of which \$103 million has actually been obligated. The act provided that this \$400 million of apportionments and the loans under the ABC program, since they were antirecession measures, were to be placed under construction by December 1, 1958, for completion by December 1, 1959. All of these funds were contracted by the States.

As a result of these actions taken in 1958, the highway trust fund at the end of the fiscal year 1960, if no further revenues are provided, would have a deficit of \$490 million assuming the Federal Government provides funds for payment of existing apportionments. By the end of the fiscal year 1961 this deficit in the highway trust fund would have increased to \$1.305 billion, if the apportionments as authorized were made without giving account to the limitation provided by the Byrd amendment.

Long-term financing problems.—The problem is not limited, however, to the short run. The estimated cost of completing a 40,000-mile Interstate System has risen from the \$25 billion estimated in 1955 to a current estimate of \$36 billion.

The Federal Highway Administrator has indicated that the 1955 estimate was of necessity a preliminary estimate because of the limited time available to prepare one prior to consideration of the 1955-56 legislation, and that as a result much of the estimate was based on preliminary data. He also stated that there were several other reasons accounting for the increased costs and has presented a table, shown below as table 1, which gives an analysis of this increase in cost. Ten billion dollars, of which \$8.9 billion is the Federal Government's share, represents the cost increases for the highways planned in the 1956 legislation. However, the actual measured miles between the cities and border points used as the basis for the 1955-56 estimate were found to be 38,548 miles as compared to the figure of 40,000 miles which was authorized in the 1956 legislation, leaving 1,452 miles of the 40,000 undesignated. The estimated cost of these additional 1,452 miles is \$1.6 billion, representing a charge against Federal funds of \$1.5 billion. In addition, an item of \$700 million has been included to cover contingencies. Thus the rise of the Federal Government's share of the cost of the program from \$25 billion to \$36 billion for a 40,000-mile Interstate System can be accounted for by the \$8.9 billion of costs attributable to the roads designated in 1956, to the \$1.5 billion for the additional mileage, and to the \$600 million for contingencies.

TABLE 1.—1955 estimate of cost; amounts the 1955 estimate was insufficient to cover the conditions estimated in 1957; the resultant 1958 estimate; and additional amounts to complete a 40,000-mile Interstate System

[In billions]

Item	Total	Estimated costs	
		Federal share	State share
1955 estimate.....	\$27.6	\$25.0	\$2.6
5 percent increase due traffic.....	1.3	1.2	0.1
15 percent increase due local needs.....	3.8	3.4	0.4
3 percent increase due utilities and miscellaneous.....	0.8	0.7	0.1
12 percent increase due price increase.....	4.1	3.6	0.5
Subtotal.....	10.0	8.9	1.1
1958 estimate (subtotal).....	37.6	33.9	3.7
Increase due 1,452 miles added routes.....	1.6	1.5	0.1
Carryover and contingency.....	0.7	0.6	0.1
Total to complete a 40,000-mile system.....	39.9	36.0	3.9

General conclusions of the committee.—As indicated by the information set forth above, there are two aspects to the financial problem of the highway trust fund. First there is the problem of the prospect of a deficit of \$490 million for the fiscal year 1960 based upon apportionments already made, together with the likelihood that the deficit will go to \$1.305 billion by the end of the fiscal year 1961 if planned apportionments for that year are to be met (or \$980 million if no additional apportionments are to be made in that year). Second, there is the long-run problem of how to finance a \$36 billion Federal interstate highway program instead of the \$25-billion program initially contemplated.

In this bill your committee concentrated its attention on a solution of the short-run problem, postponing further consideration of the long-run problem until after there is an opportunity for Congress to consider the report on the highway cost allocation study to be submitted to Congress on January 3, 1961. The purpose of this study is to determine what taxes should be imposed by the United States, and in what amounts, in order to insure, insofar as practical, an equitable distribution of the tax burden among the various classes of persons using the Federal-aid highways or otherwise deriving benefits from these highways. The additional revenues of nearly \$3.5 billion which this bill provides for the highway trust fund relates to the immediate financial problem.

Specific revenue measures provided.—To meet the short-term problem, title II of this bill provides for a temporary 1-cent increase in the gasoline, diesel fuel, and special motor fuels taxes for the remainder of this fiscal year (beginning October 1) and next year. Then for the 3-year period which follows it provides for an allocation to the trust

fund of 5 percentage points of the taxes on passenger cars and auto parts and accessories. Your committee decided that for this year and next it was necessary to provide new revenues to meet the highway trust fund deficit since a diversion of revenues from the general fund could well lead to unbalanced budgets in this period. The fiscal years 1962, 1963, and 1964 are sufficiently far in advance, however, so that there should be ample time to review the effect of the allocation to the trust fund of the passenger car and auto parts and accessories taxes in formulating the budgets for those years, as well as adequate opportunities to reconsider the methods of financing the highway trust fund for those years.

For those years the applicable manufacturers' excise tax rate under existing law for passenger cars is 7 percent for the fiscal year 1961 and subsequent years instead of the 10 percent applicable this year, and for auto parts and accessories is 5 percent instead of 8 percent. If it should be decided to continue present rates, revenues presently allocable to the general fund for those years could be maintained except for the diversion in revenues represented by the difference between the 5 percent and 7 percent in the case of the passenger car tax and the difference between the 3 percent and 5 percent on auto parts.

The increase of 1 cent in the gasoline tax will still leave an anticipated deficit for the fiscal year 1960 of \$157 million. With the 1-cent increase in the gasoline tax, the funds in the trust fund are expected to be large enough to provide for apportionments to the States for the fiscal year 1961 of about \$1.8 billion, rather than the \$2.5 billion presently authorized.

In view of the uncertainties as to the types of taxes which should be imposed in arriving at an appropriate distribution of the burden of paying for the highway program, it was believed inappropriate to attempt any solution at this time to the longrun financing problem. This also was a factor in the committee's decision to impose the additional gasoline tax only for the remainder of this year and next, rather than depending on this revenue source for the entire 5-year period for which additional funds are provided for the trust fund.

III. GENERAL EXPLANATION OF THE HIGHWAY FINANCING PROVIDED BY THE BILL

Title II of this bill increases the taxes on gasoline, diesel fuel, and special motor fuel from 3 cents a gallon in the case of highway use to 4 cents a gallon. This 1-cent increase is a temporary tax applying only for the period from October 1, 1959, to June 30, 1961. Provision is also made for a 1-cent floor stock tax for gasoline held on October 1, 1959, by dealers. Appropriate changes are also made in the credit and refund provisions in order to give assurance that the additional tax will not apply in the case of gasoline used for certain nonhighway purposes or by local transit systems, and also will not apply in the case of gasoline used on the farm for farming purposes. Table 2 shows that \$353 million is expected to be derived from these motor fuel taxes in the 9 months these motor fuel taxes will be effective in the fiscal year 1960, and that \$577 million is expected to be derived from these taxes in the full 12 months in which they are to be effective in the fiscal year 1961. These amounts expected to be received over the 2-year period from this revenue source plus \$75 million expected in the next year are expected to increase the total revenue raised in this manner to \$985 million.

TABLE 2.—*Highway Trust Fund revenues, actual for fiscal years 1957-59 and estimated for 1960-73*
 [In millions of dollars]

	Revenues under present law					Total revenues available under present law	Revenues added by bill			Total present and new revenues available under bill	
	Manufacturers' taxes on				Truck use tax, vehicles over 26,000 pounds		Interest	Gasoline and other motor fuels, 1 cent 1 per gallon	Manufacturers' taxes on		
	Trucks, buses, and trailers, 5 percent	Tread rubber, 3 cents per pound	Tires, 8 cents or 5 cents per pound	Inner tubes, 9 cents per pound					Passenger automobiles, 5 percent		Automobile parts and accessories, 5 percent
1957-----	1,326	34	11	82	26	1,432	---	---	---	1,432	
1958-----	1,608	111	13	244	33	2,044	---	---	---	2,044	
1959-----	1,657	107	14	247	34	2,087	---	---	---	2,087	
1960-----	1,692	114	14	247	35	2,122	---	333	---	333	
1961-----	1,751	122	15	256	36	2,195	---	577	---	577	
1962-----	1,819	129	16	264	37	2,280	---	75	---	75	
1963-----	1,861	131	17	270	38	2,332	---	---	690	112	
1964-----	1,910	134	18	276	39	2,392	---	---	715	116	
1965-----	1,960	138	19	283	40	2,455	---	---	735	119	
1966-----	2,011	143	20	290	41	2,520	---	---	---	---	
1967-----	2,064	146	21	298	42	2,586	---	---	---	---	
1968-----	2,119	151	22	307	43	2,657	---	---	---	---	
1969-----	2,176	155	23	315	44	2,728	---	---	---	---	
1970-----	2,233	158	24	324	45	2,799	---	---	---	---	
1971-----	2,292	163	25	332	46	2,873	---	---	---	---	
1972-----	2,354	168	26	341	47	2,951	---	---	---	---	
1973 ² -----	2,291	12	4	21	---	328	---	---	---	328	

¹ Tax receipts less refunds.

² From liabilities accrued prior to July 1, 1972, less floor stocks refunds where applicable.

For the fiscal years 1962, 1963, and 1964 the bill provides that 5 percentage points of the manufacturers tax on passenger cars, etc., and 5 percentage points of the manufacturers excise tax on automotive parts and accessories are to be allocated to the highway trust fund. The rates presently applicable in the case of these taxes are 10 percent in the case of passenger cars, etc., and 8 percent in the case of automotive parts and accessories but these rates are scheduled as of June 30, 1960, to be reduced to 7 percent and 5 percent, respectively. As is indicated by table 2, the tax on passenger cars is expected to increase the highway trust fund revenues from \$690 million to \$735 million in each of the 3 years in which it is applicable, or result in an overall increase for the 3-year period of \$2.14 billion. The portion of the tax on automotive parts and accessories allocated to the trust fund is expected to increase trust fund revenues by from \$112 million to \$119 million in each of the 3 years involved or in total result in an increase of \$347 million in highway trust fund revenues. The combined effect of these two additional revenue sources for the highway trust funds is an overall revenue increase for the fund of \$2.487 billion. Together with the \$985 million increase resulting from the higher motor fuel taxes, this is expected to result in an overall increase in highway trust fund revenues for the 5-year period involved of \$3.472 billion.

In addition to the new revenues provided by this bill for the 5-year period up to June 30, 1964, the highway trust fund revenues presently include a 3 cents-a-gallon tax applicable in the case of gasoline (although certain refunds for 1 cent of this tax are available in the case of specified nonhighway and local transit use and 3-cents-a-gallon credits in the case of farm uses are provided), a 3-cent-a-gallon tax with respect to diesel fuel (subject to similar credits) and a 3-cent-a-gallon tax with respect to special motor fuels. All of these taxes are scheduled as of June 30, 1972, to revert to 1½ cents a gallon at which time this revenue will go back to the general fund.

Present revenue sources of the highway trust fund also include the 8 cents a pound tax on highway tires, the 5 cents a pound tax on other tires and the 9 cents a pound tax on inner tubes, as well as the 3 cents a pound tax on tread rubber. In addition, half of the 10 percent manufacturers' tax on the sale of trucks, buses, trailers, etc., goes into the highway trust fund, as well as the entire \$1.50 per thousand pound tax (per year) on highway vehicles weighing more than 26,000 pounds. As indicated in table 2, these present law taxes are expected to raise slightly more than \$2.1 billion in revenue in 1960 and gradually increase to a level of nearly \$3 billion a year in 1972.

Tables 3 and 4 show the apportionments, expenditures, revenues, and highway trust fund balances from 1957 to 1972 with and without giving effect to the additional revenues provided by this bill. These tables, supplied by the Bureau of Public Roads, show that apportionments for the Interstate System under the bill can be \$1.8 billion for the fiscal year 1961, \$2 billion for 1962, and from \$1.6 billion to \$2 billion thereafter. This will enable the Interstate System to maintain an expenditure level at or near \$2 billion through the fiscal year 1964. Failure to enact this title, on the other hand, would mean

that no apportionments may be made under the Interstate System for 1961, and only \$500 million for 1962. With these apportionments the expenditures for the Interstate System could be expected to drop to about \$800 million in 1963.

TABLE 3.—*Estimated status of highway trust fund under proposed legislation*

[In millions of dollars]

Fiscal year	Apportionments		Expenditures		Revenues			Balance in the fund on June 30
	Interstate	Primary, secondary, and urban ¹	Interstate	Primary, secondary, and urban ¹	Pre-ent sources	Additional	Total	
From before 1957.....	140	965						
1957.....	1,175	832	208	758	1,482		1,482	+516
1958.....	1,700	859	675	836	2,044		2,044	+1,049
1959.....	2,200	1,388	1,501	1,112	2,087		2,087	+523
1960.....	2,500	910	2,025	1,110	2,122	333	2,455	-157
1961.....	1,800	883	1,755	910	2,195	577	2,772	-50
1962.....	2,000	884	2,000	897	2,280	877	3,157	+210
1963.....	1,600	935	2,000	911	2,332	831	3,163	+432
1964.....	1,600	935	2,200	936	2,392	854	3,246	+572
1965.....	1,600	935	1,575	936	2,455		2,455	+516
1966.....	1,600	935	1,600	936	2,520		2,520	+500
1967.....	1,800	935	1,650	935	2,586		2,586	+501
1968.....	1,800	935	1,725	935	2,657		2,657	+498
1969.....	1,900	935	1,775	935	2,728		2,728	+516
1970.....	2,000	935	1,875	935	2,799		2,799	+505
1971.....	1,966	935	1,925	935	2,873		2,873	+518
1972.....		935	2,584	935	2,951		2,951	0
After 1972.....			328		² 328		2,328	0
Total.....	27,401	16,071	27,401	14,952	38,831	3,472	42,303	0

¹ Includes emergency relief program, as well as special funds totaling \$503 million apportioned for 1959.

² Receipts on tax liabilities accrued prior to July 1, 1972.

TABLE 4.—*Estimated status of Highway Trust Fund under existing legislation*

[In millions of dollars]

Fiscal year	Apportionments		Expenditures		Revenues	Balance in the fund on June 30
	Interstate	Primary, secondary, and urban ¹	Interstate	Primary, secondary, and urban ¹		
From before 1957.....	140	965				
1957.....	1,175	832	208	758	1,482	+516
1958.....	1,700	859	675	836	2,044	+1,049
1959.....	2,200	1,388	1,501	1,112	2,087	+523
1960.....	2,500	910	2,025	1,110	2,122	-490
1961.....	0	883	1,775	910	2,195	-980
1962.....	500	884	1,000	897	2,280	-597
1963.....	1,600	935	824	911	2,332	0
1964.....	1,600	935	1,456	936	2,392	0
1965.....	1,600	935	1,400	936	2,455	+119
1966.....	1,600	935	1,400	936	2,520	+303
1967.....	1,800	935	1,500	935	2,586	+454
1968.....	1,800	935	1,725	935	2,657	+451
1969.....	1,900	935	1,775	935	2,728	+469
1970.....	2,000	935	1,875	935	2,799	+458
1971.....	1,764	935	1,925	935	2,873	+471
1972.....		935	2,487	935	2,951	0
After 1972.....			328		² 328	0
Total.....	23,879	16,071	23,879	14,952	38,831	

¹ Includes emergency relief as well as special funds, totaling \$503,000,000 apportioned for 1959.

² Receipts on tax liabilities accrued prior to July 1, 1972.

IV. PROVISION TREATING WHOLESALE DISTRIBUTORS AS PRODUCERS FOR PURPOSES OF THE GASOLINE TAX

Under present law the Federal tax on gasoline is imposed on the producer or importer of the gasoline and is payable by him shortly after he makes the sale. This means that the refiner or major oil company on sales directly to a service station does not have to pay the tax until after its sale to the retailer, and in those cases where the oil company owns the service stations it does not have to pay the tax until after the gasoline is sold to the ultimate consumer. In the case of sales to a wholesale distributor or jobber, however, the tax must be paid at the time he makes his purchase.

The effect of this treatment under present law is to require the independent wholesale distributors to buy their gasoline on a taxpaid basis and, therefore, also to carry their inventory on a taxpaid basis. On the other hand, the major oil companies which sell directly to the service station, or own their own service stations and sell directly to the consumer, need not pay any tax on their inventories. It is understood that the average jobber had a permanent inventory of 50,000 gallons of gasoline which represents \$2,000 (with the 4 cents Federal gasoline tax) he has tied up in his inventory—a capital cost not borne by his larger integrated competitor.

In addition, since the gasoline tax is based upon the volume of gasoline the wholesale distributor purchases, he not only pays tax on the volume of gasoline he resells but also on the gasoline he loses through evaporation and spillage. Testimony on this point has indicated that jobber losses due to evaporation and spillage amount to upward of 2 percent of the total volume handled. On the basis of 1.2 million gallons of gasoline purchased annually by the average wholesale distributor, assuming 2 percent evaporation and spillage this means that with the 4-cent tax he will lose annually gasoline on which he has paid \$960 in Federal taxes. This is an annual payment which his integrated competitor does not have to make, since he pays tax only on the gasoline he sells and not on his losses through evaporation and spillage. This is a discrimination which many States have recognized and removed by granting the wholesale distributors special evaporation and spillage allowances.

To remove these discriminations this provision as amended by your committee provides that a wholesale distributor (as well as dealers who sell exclusively to producers) is to be treated as a producer; that is, the wholesaler distributor will be able to buy gasoline on a tax-free basis and pay the tax at the time he makes his sale.

While it is recognized that this will increase somewhat the number of taxpayers for the gasoline tax, it is believed this is an administrative cost well worth paying in order to remove the discriminations against the independent gasoline wholesale distributors. Moreover, it is believed that this new group of taxpayers will present relatively few problems in obtaining taxpayment since for the most part they already are taxpayers for the State gasoline taxes. Moreover, many of them may also be Federal taxpayers for purposes of the taxes on diesel fuel and special motor fuels. In addition, the administrative problems in this respect should be eased by the fact that the wholesale distributor must comply with the registration and bonding requirements provided by the Internal Revenue Service with respect to the gasoline tax

before he may be treated as a producer and buy gasoline on a tax-free basis.

Under the provision, as amended by your committee, wholesale distributors who may qualify as producers are defined as persons, not otherwise qualifying as producers, who sell gasoline to producers, to retailers, or to users who purchase in bulk quantities for delivery into bulk storage tanks, if they also elect to be registered and bonded for the gasoline tax.

This provision is effective beginning on January 1, 1960. Therefore, wholesale distributors, who become registered and bonded, are to be treated as producers of (and thus taxpayers with respect to) gasoline sold by them beginning on that date or any later date on which they become registered and bonded. However, they will be able to claim credit for gasoline previously purchased on which they have already paid tax.

It is estimated that this provision, based on a 4 cents per gallon gasoline tax, will result in an annual revenue loss of from about \$3 million to \$11 million based on estimated 1960 levels of income. In addition, there also will be a revenue loss, estimated at \$33 million, in the initial year of operation due to the shifting forward of the tax payment to the time the wholesale distributor makes his sale.

V. TECHNICAL EXPLANATION OF TITLE II, INTERNAL REVENUE CODE, AND HIGHWAY TRUST FUND AMENDMENTS

SECTION 201. TEMPORARY INCREASE IN MOTOR FUEL TAXES, ETC.

Increase in tax on gasoline

Subsection (a) of section 201 amends section 4081 of the 1954 code with respect to the present 3 cents a gallon excise tax sold by producers or importers. For the period from October 1, 1959, to June 30, 1961, inclusive, the rate of tax is increased to 4 cents per gallon, in lieu of the present 3 cents a gallon rate.

Increase in diesel fuel and special motor fuel taxes

Subsection (b) of section 201 amends section 4041 of the 1954 code to increase the present retail and use taxes on diesel fuel and on special motor fuel from 3 cents a gallon to 4 cents a gallon for the period from October 1, 1959, to June 30, 1961, inclusive. Corresponding changes are also made in the application of subsections (a) and (b) of section 4041 of the code, so that in those cases where the tax under paragraph (2) of those subsections is 1 cent a gallon, the tax would be increased to 2 cents a gallons for the same period.

1959 floor stocks tax on gasoline

Section 201(c)(1) adds a new paragraph (5) to section 4226(a) of the code to impose a floor stocks tax of 1 cent per gallon on gasoline held on October 1, 1959, by a dealer for sale. The new tax is the difference between the present tax (3 cents a gallon) and the tax imposed under this bill (4 cents a gallon). The floor stocks tax on gasoline will not apply to retail stocks of gasoline held at the place where intended to be sold at retail nor to gasoline held for sale by a producer or importer of gasoline. Under section 201(c)(2), a new clause is added to section 4226(d) of the code which provides, in effect, that the floor stocks tax imposed by section 4226(a)(5) of the code shall be paid at such time

after December 31, 1959, as may be prescribed by the Secretary of the Treasury or his delegate.

Section 201(c)(3) is a technical conforming amendment to conform a cross reference to a change made by section 201(c)(4).

1961 floor stocks refund on gasoline

Section 201(c)(4) amends section 6412(a) of the 1954 code by renumbering paragraph (3) thereof as paragraph (4) and inserting a new paragraph (3) which relates to a floor stocks refund with respect to gasoline held on July 1, 1961. New paragraph (3) of section 6412(a) provides for a floor stock refund, without interest, with respect to gasoline held by a dealer on July 1, 1961, and intended for sale at the time the gasoline tax is reduced from 4 cents a gallon to 3 cents a gallon (i.e., July 1, 1961) and will be in an amount equal to the difference between the tax paid by the producer or importer and the amount of tax made applicable to gasoline on July 1, 1961 (the tax reduction date).

The uniform procedure provided in section 6412(a) for filing claims for floor-stocks refund or credit is continued with respect to the floor stocks refunds mentioned above. Thus, the producer or importer who paid the tax must file a claim for floor-stocks refunds or credit on or before November 10, 1961, based on a request submitted to him before October 1, 1961, by the dealer who held the floor stocks of gasoline in respect of which refund or credit is claimed. Refund or credit will not be allowed unless within the time fixed for filing the claim (i.e., on or before November 10, 1961), reimbursement has been made to the dealer by the producer or importer or the written consent of the dealer to the allowance of the credit or refund has been obtained by the producer or importer. The new paragraph (3) also provides that no credit or refund shall be allowable with respect to gasoline in retail stocks held at the place where intended to be sold at retail nor with respect to gasoline held for sale by a producer (within the meaning of sec. 4081 of the 1954 code, as amended by the bill) or importer of gasoline.

Conforming changes in credit and refund provisions of 1954 code

Subsection (d) of section 201 makes certain changes in the credit and refund provisions of sections 6416(b)(2) and 6421 (a) and (b)(1)(A) of the 1954 code to reflect the increased rates in amount permitted as refunds or credits. Thus under section 6416(b)(2) (H), (I) and (J) (relating to diesel fuel and special motor fuels used for certain non-highway purposes or by local transit systems) if a tax of 4 cents a gallon had been paid with respect to the diesel fuel or special motor fuel which had been used in the manners described therein, the refund would be computed at a rate of 2 cents a gallon rather than 1 cent a gallon. Similarly, the refund under section 6421(a) is increased to 2 cents a gallon where tax with respect to the gasoline used as provided therein was paid at the rate of 4 cents a gallon. A similar adjustment is made to the maximum refund available under section 6421(b)(1) (relating to gasoline used for certain nonhighway purposes or by local transit systems.)

Collection of gasoline tax at wholesale distributor level

Subsection (e) of section 201 amends section 4082 of the 1954 code to make certain "wholesale distributors" statutory producers.

Specifically the definition of producer in the first sentence of section 4082(a) is amended by adding thereto wholesale distributors. A new subsection (d) is added to section 4082 to define wholesale distributor as any person who sells gasoline to producers, to retailers, or to users who purchase in bulk quantities for delivery into bulk storage tanks, and who is registered and bonded with regard to the tax imposed on gasoline. Your committee made a clarifying amendment in this provision to make it clear that the wholesale distributor may elect whether or not to register and be bonded. Your committee has also amended the House bill to specifically include a "dealer who sells exclusively to producers" in the definition of producer as is provided under existing law. The House bill excluded the definition of producer because of the scope of the definition of "wholesale distributor." Your committee believed, however, that it was clearer to include such dealers specifically.

Thus under this amendment, a wholesaler who either sells to producers (including persons who are producers by reason of the amendment), to retailers, or to users who purchase in bulk quantity may, if he desires to do so, become a "producer" for purposes of the tax by registering and giving bond. As a producer, he incurs liability upon his sale of gasoline and in turn he may purchase gasoline tax free. The test in 4082(d)(1) is not an exclusive test so that a "wholesale distributor" may sell to either or all of the types of customers enumerated therein, in addition to being able to sell to anyone else.

The last sentence in the new section 4082(d) is added to make clear that anyone who qualifies as a producer, otherwise than a wholesale distributor (i.e., a refiner, compounder, blender, or actual producer), may not claim that he is a "wholesale distributor" with an option as to whether or not he wishes to qualify as a producer by registering and giving bond.

Wholesalers who qualify as producers in accordance with the provisions of the new subsection (d) of section 4082 often will have tax-paid stocks of gasoline on hand at the time they so qualify. A wholesaler who has so qualified, and who incurs tax liability on his sale of tax-paid stock, will be entitled to a credit against such tax liability for the tax previously paid on such gasoline. For the purposes of this provision, a wholesaler will be assumed to sell gasoline which is on hand at the time of his qualifying under section 4101 before selling gasoline subsequently acquired. The treatment outlined here follows the practice under present law where a producer acquires tax-paid gasoline and resells it.

The amendments made by section 201(e) become effective January 1, 1960.

SECTION 202. TRANSFERS TO HIGHWAY TRUST FUND

Transfers to trust fund

Section 202(a) amends section 209(c) of the Highway Revenue Act of 1956 by renumbering paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by adding a new paragraph (2). This new paragraph appropriates to the trust fund amounts equivalent to the taxes which would have been received in the Treasury under section 4061(a)(2) and (b) (tax on passenger automobiles and parts and accessories) after June 30, 1961, and before July 1, 1964, had the

applicable rate of tax been 5 percent in lieu of the rate then applicable. Under this provision, if any such tax received in the Treasury during any applicable period was imposed at a rate, for example, of 7 percent of the sales price, then the amount appropriated to the trust fund with respect to such period is five-sevenths of the amount of such tax received in the Treasury.

Conforming amendments

Section 202(b) makes conforming amendments to section 209 of the Highway Revenue Act of 1956. Under the amendment made by paragraph (2), the Secretary of the Treasury will from time to time transfer from the trust fund to the general fund of the Treasury amounts equivalent to the floor stocks refunds made before July 1, 1962, with respect to gasoline held by dealers on July 1, 1961 (see explanation of section 201(c)(4)). This provision conforms to the treatment provided by existing law in the case of floor stocks refunds on gasoline held on July 1, 1972.

VI. CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by title II of the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italic; existing law in which no change is proposed is shown in roman):

SUBSECTIONS (c) AND (f) OF SECTION 209 OF THE HIGHWAY REVENUE ACT OF 1956

SEC. 209. HIGHWAY TRUST FUND.

* * * * *

(c) TRANSFER TO TRUST FUND OF AMOUNTS EQUIVALENT TO CERTAIN TAXES.—

(1) In GENERAL.—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to the following percentages of the taxes received in the Treasury before July 1, 1972, under the following provisions of the Internal Revenue Code of 1954 (or under the corresponding provisions of prior revenue laws)—

(A) 100 percent of the taxes received after June 30, 1956, under sections 4041 (taxes on diesel fuel and special motor fuels), 4071(a)(4) (tax on tread rubber), and 4081 (tax on gasoline);

(B) 20 percent of the tax received after June 30, 1956, and before July 1, 1957, under section 4061(a)(1) (tax on trucks, buses, etc.);

(C) 50 percent of the tax received after June 30, 1957, under section 4061(a)(1) (tax on trucks, buses, etc.);

(D) 37½ percent of the tax received after June 30, 1956, and before July 1, 1957, under section 4071(a)(1) (tax on tires of the type used on highway vehicles);

(E) 100 percent of the taxes received after June 30, 1957, under section 4071(a) (1), (2), and (3) (taxes on tires of the type used on highway vehicles, other tires, and inner tubes);

(F) 100 percent of the tax received under section 4481 (tax on use of certain vehicles); and

(G) 100 percent of the floor stocks taxes imposed by section 4226(a).

In the case of any tax described in subparagraph (A), (B), or (D), amounts received during the fiscal year ending June 30, 1957, shall be taken into account only to the extent attributable to liability for tax incurred after June 30, 1956.

(2) *EXCISE TAX ON AUTOMOBILES, PARTS AND ACCESSORIES, ETC.*—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to that portion of the taxes received in the Treasury after June 30, 1961, and before July 1, 1964, under subsections (a)(2) (tax on passenger automobiles, etc.) and (b) (tax on parts and accessories) of section 4061 of the Internal Revenue Code of 1954 which is equal to the amount which would have been so received if the tax rate under each such subsection had been 5 percent in lieu of the applicable rate.

[(2)] (3) *LIABILITIES INCURRED BEFORE JULY 1, 1972, FOR NEW OR INCREASED TAXES.*—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to the following percentages of the taxes which are received in the Treasury after June 30, 1972, and before July 1, 1973, and which are attributable to liability for tax incurred before July 1, 1972, under the following provisions of the Internal Revenue Code of 1954—

(A) 100 percent of the taxes under sections 4041 (taxes on diesel fuel and special motor fuels), 4071(a)(4) (tax on tread rubber), and 4081 (tax on gasoline);

(B) 20 percent of the tax under section 4061(a)(1) (tax on trucks, buses, etc.);

(C) 37½ percent of the tax under section 4071(a)(1) (tax on tires of the type used on highway vehicles); and

(D) 100 percent of the tax under section 4481 (tax on use of certain vehicles).

[(3)] (4) *METHOD OF TRANSFER.*—The amounts appropriated by paragraphs [(1) and (2)] (1), (2), and (3) shall be transferred at least monthly from the general fund of the Treasury to the Trust Fund on the basis of estimates by the Secretary of the Treasury of the amounts, referred to in paragraphs (1) and (2), received in the Treasury. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

* * * * *

(f) *EXPENDITURES FROM TRUST FUND.*—

(1) *FEDERAL-AID HIGHWAY PROGRAM.* Amounts in the Trust Fund shall be available, as provided by appropriations Acts, for making expenditures after June 30, 1956, and before July 1, 1972, to meet those obligations of the United States heretofore or hereafter incurred under the Federal-Aid Road Act approved July 11, 1916, as amended and supplemented, which are attributable to Federal-aid highways (including those portions of general administrative expenses of the Bureau of Public Roads payable from such appropriations).

(2) **REPAYMENT OF ADVANCES FROM GENERAL FUND.**—Advances made pursuant to subsection (d) shall be repaid, and interest on such advances shall be paid, to the general fund of the Treasury when the Secretary of the Treasury determines that moneys are available in the Trust Fund for such purposes. Such interest shall be at rates computed in the same manner as provided in subsection (e) (2) for special obligations and shall be compounded annually.

(3) **TRANSFERS FROM TRUST FUND FOR GASOLINE USED ON FARMS AND FOR CERTAIN OTHER PURPOSES.**—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the amounts paid before July 1, 1973, under sections 6420 (relating to amounts paid in respect of gasoline used on farms) and 6421 (relating to amounts paid in respect of gasoline used for certain nonhighway purposes or by local transit systems) of the Internal Revenue Code of 1954 on the basis of claims filed for periods beginning after June 30, 1956, and ending before July 1, 1972.

(4) **【FLOOR】 1972 FLOOR STOCKS REFUNDS.**—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the following percentages of the floor stocks refunds made before July 1, 1973, under section 6412(a)(2) of the Internal Revenue Code of 1954—

(A) 40 percent of the refunds in respect of articles subject to the tax imposed by section 4061(a)(1) of such Code (trucks, buses, etc.);

(B) 100 percent of the refunds in respect of articles subject to tax under section 4071(a)(1) or (4) of such Code (tires of the type used on highway vehicles and tread rubber); and

(C) 66⅔ percent of the refunds in respect of gasoline subject to tax under section 4081 of such Code.

(5) **1961 FLOOR STOCKS REFUNDS ON GASOLINE.**—*The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the floor stocks refunds made before July 1, 1962, under section 6412(a)(3).*

INTERNAL REVENUE CODE OF 1954

Subchapter E—Special Fuels

Sec. 4041. Imposition of tax.

Sec. 4042. Cross reference.

SEC. 4041. IMPOSITION OF TAX.

(a) **DIESEL FUEL.**—There is hereby imposed a tax of 3 cents a gallon upon any liquid (other than any product taxable under section 4081)—

(1) sold by any person to an owner, lessee, or other operator of a diesel-powered highway vehicle, for use as a fuel in such vehicle; or

(2) used by any person as a fuel in a diesel-powered highway vehicle unless there was a taxable sale of such liquid under paragraph (1).

In the case of a liquid taxable under this subsection sold for use or used as a fuel in a diesel-powered highway vehicle (A) which (at the time of such sale or use) is not registered, and is not required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a diesel-powered highway vehicle owned by the United States, is not used on the highway, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon [in lieu of 3 cents a gallon]. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel in a diesel-powered highway vehicle (A) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (b) which, in the case of a diesel-powered highway vehicle owned by the United States, is used on the highway, a tax of 1 cent a gallon shall be imposed under paragraph (2).

(b) SPECIAL MOTOR FUELS.—There is hereby imposed a tax of 3 cents a gallon upon benzol, benzene, naphtha, liquefied petroleum gas, or any other liquid (other than kerosene, gas, oil, or fuel oil, or any product taxable under section 4081 or subsection (a) of this section)—

(1) sold by any person to an owner, lessee, or other operator of a motor vehicle, motorboat, or airplane for use as a fuel for the propulsion of such motor vehicle, motorboat, or airplane, or

(2) used by any person as a fuel for the propulsion of a motor vehicle, motorboat, or airplane unless there was a taxable sale of such liquid under paragraph (1).

In the case of a liquid taxable under this subsection sold for use or used otherwise than as a fuel for the propulsion of a highway vehicle (A) which (at the time of such sale or use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a highway vehicle owned by the United States, is used on the highway, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon [in lieu of 3 cents a gallon]. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel for the propulsion of a highway vehicle (A) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a highway vehicle owned by the United States, is used on the highway, a tax of 1 cent a gallon shall be imposed under paragraph (2).

(c) RATE REDUCTION.—On and after July 1, 1972—

(1) the taxes imposed by this section shall be 1½ cents a gallon; and

(2) the second and third sentences of subsections (a) and (b) shall not apply.

(d) EXEMPTION FOR FARM USE.—

(1) EXEMPTION.—Under regulations prescribed by the Secretary or his delegate—

(A) no tax shall be imposed under subsection (a)(1) or (b)(1) on the sale of any liquid sold for use on a farm for farming purposes, and

(B) no tax shall be imposed under subsection (a)(2) or (b)(2) on the use of any liquid used on a farm for farming purposes.

(2) **USE ON A FARM FOR FARMING PURPOSES.**—For purposes of paragraph (1) of this subsection, use on a farm for farming purposes shall be determined in accordance with paragraphs (1), (2), and (3) of section 6420(c).

(c) **EXEMPTION FOR USE AS SUPPLIES FOR VESSELS.**—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under subsection (b) in the case of any fuel sold for use or used as supplies for vessels or aircraft (within the meaning of section 4221(d)(3)).

(f) **TEMPORARY INCREASES IN TAX.**—On and after October 1, 1959, and before July 1, 1961—

(1) if (without regard to this subsection) the tax imposed by subsection (a) or (b) is 3 cents a gallon, the tax imposed by such subsection shall be 4 cents a gallon, and

(2) if (without regard to this subsection) the tax imposed under paragraph (2) of subsection (a) or (b) is 1 cent a gallon, the tax imposed under such paragraph shall be 2 cents a gallon.

* * * * *

PART III—PETROLEUM PRODUCTS

Subpart A. Gasoline.

Subpart B. Lubricating oil.

Subpart C. Special provisions applicable to petroleum products.

Subpart A—Gasoline

Sec. 4081. Imposition of tax.

Sec. 4082. Definitions.

Sec. 4083. Exemption of sales to producer.

Sec. 4084. Cross references.

SEC. 4081. IMPOSITION OF TAX.

(a) **IN GENERAL.**—There is hereby imposed on gasoline sold by the producer or importer thereof, or by any producer of gasoline, a tax of 3 cents a gallon.

(b) **RATE REDUCTION.**—On and after July 1, 1972, the tax imposed by this section shall be 1½ cents a gallon.

(c) **TEMPORARY INCREASE IN TAX.**—On and after October 1, 1959, and before July 1, 1961, the tax imposed by this section shall be 4 cents a gallon.

SEC. 4082. DEFINITIONS.

(a) **PRODUCER.**—As used in this subpart, the term “producer” includes a refiner, compounder, [or blender, and a dealer selling gasoline exclusively to producers of gasoline] blender, or wholesaler distributor, and a dealer selling gasoline exclusively to producers of gasoline, as well as a producer. Any person to whom gasoline is sold tax-free under this subpart shall be considered the producer of such gasoline.

(b) **GASOLINE.**—As used in this subpart, the term “gasoline” means all products commonly or commercially known or sold as gasoline (including casinghead and natural gasoline).

(c) **CERTAIN USES DEFINED AS SALES.**—If a producer or importer uses (otherwise than in the production of gasoline or of special motor fuels referred to in section 4041 (b)) gasoline sold to him free of tax, or produced or imported by him, such use shall for the purposes of this chapter be considered a sale. (Source: Sec. 3412(b), 1939 Code, substantially unchanged.)

(d) **WHOLESALE DISTRIBUTOR.**—As used in subsection (a), the term “wholesale distributor” includes any person who—

(1) sells gasoline to producers, to retailers, or to users who purchase in bulk quantities for delivery into bulk storage tanks, and

(2) elects to register and give a bond with respect to the tax imposed by section 4081.

Such term does not include any person who (excluding the term “wholesale distributor” from subsection (a)) is a producer or importer.

* * * * *

SEC. 4226. FLOOR STOCKS TAXES.

(a) **IN GENERAL.**—

(1) **1956 TAX ON TRUCKS, TRUCK TRAILERS, BUSES, ETC.**—On any article subject to tax under section 4061(a)(1) (relating to tax on trucks, truck trailers, buses, etc.) which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 2 percent of the price for which the article was purchased by such dealer. If the price for which the article was sold by the manufacturer, producer, or importer is established to the satisfaction of the Secretary or his delegate, then in lieu of the amount specified in the preceding sentence, the tax imposed by this paragraph shall be at the rate of 2 percent of the price for which the article was sold by the manufacturer, producer, or importer.

(2) **1956 TAX ON TIRES OF THE TYPE USED ON HIGHWAY VEHICLES.**—On tires subject to tax under section 4071(a)(1) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, are held—

(A) by a dealer for sale,

(B) for sale on, or in connection with, other articles held by the manufacturer, producer, or importer of such other articles, or

(C) for use in the manufacture or production of other articles,

there is hereby imposed a floor stocks tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply to any tire which is held for sale by the manufacturer, producer, or importer of such tire or which will be subject under section 4218(a)(2) or 4219 to the manufacturers excise tax on tires.

(3) **1956 TAX ON TREAD RUBBER.**—On tread rubber subject to tax under section 4071(a)(4) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, is held by a dealer, there is hereby imposed a floor stocks tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply in the case of

any person if such person establishes, to the satisfaction of the Secretary or his delegate, that all tread rubber held by him on July 1, 1956, will be used otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c)).

(4) 1956 TAX ON GASOLINE.—On gasoline subject to tax under section 4081 which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline.

(5) 1959 TAX ON GASOLINE.—On gasoline subject to tax under section 4081 which, on October 1, 1959, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline.

* * * * *

(c) MEANING OF TERMS.—For purposes of subsection (a), the terms "dealer" and "held by a dealer" have the meaning assigned to them by section 6412(a)(3)(4).

(d) DUE DATE OF TAXES.—The taxes imposed by subsection (a) shall be paid at such time after September 30, 1956, as may be prescribed by the Secretary or his delegate; *except that the tax imposed by paragraph (5) shall be paid at such time after December 31, 1959, as may be prescribed by the Secretary or his delegate.*

* * * * *

SEC. 6412. FLOOR STOCKS REFUNDS.

(a) IN GENERAL.—

(1) PASSENGER AUTOMOBILES, ETC.—Where before July 1, 1960, any article subject to the tax imposed by section 4061(a)(2) has been sold by the manufacturer, producer, or importer and on such date is held by a dealer and has not been used and is intended for sale, there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article on and after July 1, 1960, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1960, based upon a request submitted to the manufacturer, producer or importer before October 1, 1960, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before November 10, 1960, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax reduction on such article or written consent has been obtained from such dealer to allowance of such credit or refund.

(2) TRUCKS AND BUSES, TIRES, TREAD RUBBER, AND GASOLINE.—Where before July 1, 1972, any article subject to the tax imposed by section 4061(a)(1), 4071(a)(1) or (4), or 4081 has

been sold by the manufacturer, producer, or importer and on such date is held by a dealer and has not been used and is intended for sale (or, in the case of tread rubber, is intended for sale or is held for use), there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article on and after July 1, 1972, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1972, based upon a request submitted to the manufacturer, producer, or importer before October 1, 1972, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before November 10, 1972, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax reduction on such article or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline.

(3) *GASOLINE HELD ON JULY 1, 1961.*—Where before July 1, 1961, any gasoline subject to the tax imposed by section 4081 has been sold by the producer or importer and on such date is held by a dealer and is intended for sale, there shall be credited or refunded (without interest) to the producer or importer an amount equal to the difference between the tax paid by such producer or importer on his sale of the gasoline and the amount of tax made applicable to such gasoline on and after July 1, 1961, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1961, based upon a request submitted to the producer or importer before October 1, 1961, by the dealer who held the gasoline in respect of which the credit or refund is claimed, and, on or before November 10, 1961, reimbursement has been made to such dealer by such producer or importer for the tax reduction on such gasoline or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline.

[(3)] (4) DEFINITIONS.—For purposes of this section—

(A) The term “dealer” includes a wholesaler, jobber, distributor, or retailer, or, in the case of tread rubber subject to tax under section 4071(a)(4), includes any person (other than the manufacturer, producer, or importer thereof) who holds such tread rubber for sale or use.

(B) An article shall be considered as “held by a dealer” if title thereto has passed to such dealer (whether or not delivery to him has been made), and if for purposes of consumption title to such article or possession thereof has not at any time been transferred to any person other than a dealer.

* * * * *

SEC. 6416. CERTAIN TAXES ON SALES AND SERVICES.

* * * * *

(b) SPECIAL CASES IN WHICH TAX PAYMENTS CONSIDERED OVERPAYMENTS.—Under regulations prescribed by the Secretary or his delegate, credit or refund (without interest) shall be allowed or made in respect of the overpayments determined under the following paragraphs:

* * * * *

(2) [SPECIFIED USES AND REALES.—The tax paid under chapter 32 (or under section 4041(a)(1) or (b)(1)) in respect of any article shall be deemed to be an overpayment if such article was, by any person—

(A) exported (except in any case to which subsection (g) applies),

(B) used or sold for use as supplies for vessels or aircraft;

(C) sold to a State or local government for the exclusive use of a State or local government;

(D) sold to a nonprofit educational organization for its exclusive use;

(E) resold to a manufacturer or producer for use by him as provided in subparagraph (A) or (B) of paragraph (3);

(F) in the case of a tire, inner tube, or receiving set, resold for use as provided in subparagraph (C) or (D) of paragraph (3) and the other article referred to in such subparagraph is by any person exported or sold as provided in such subparagraph;

(G) in the case of a liquid taxable under section 4041, sold for use as fuel in a diesel-powered highway vehicle or as fuel for the propulsion of a motor vehicle, motorboat, or airplane, if (i) the vendee used such liquid otherwise than as fuel in such a vehicle, motorboat, or airplane or resold such liquid, or (ii) such liquid was (within the meaning of paragraphs (1), (2), and (3) of section 6420(c)) used on a farm for farming purposes;

(H) in the case of a liquid in respect of which tax was paid under section 4041 at the rate of 3 cents or $\frac{1}{4}$ cents a gallon, used during any calendar quarter in vehicles while engaged in furnishing scheduled common carrier public passenger land transportation service along regular routes; except that (i) this subparagraph shall apply only if the 60 percent passenger fare revenue test set forth in section 6421(b)(2) is met with respect to such quarter, and (ii) the amount of such overpayment for such quarter shall be an amount determined by multiplying 1 cent (*where tax was paid at the 3-cent rate*) or 2 cents (*where tax was paid at the 4-cent rate*) for each gallon of liquid so used by the percentage which such person's tax-exempt passenger fare revenue (as defined in section 6421(d)(2)) derived from such scheduled service during such quarter was of his total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived from such scheduled service during such quarter:

(1) in the case of a liquid in respect of which tax was paid under section 4041(a)(1) at the rate of 3 cents *or 4 cents* a gallon, used or resold for use as a fuel in a diesel-powered highway vehicle (i) which (at the time of such use or resale) is not registered, and is not required to be registered, for highway use under the laws of any State or foreign country, or (ii) which, in the case of a diesel-powered highway vehicle owned by the United States, is not used on the highway; except that the amount of any overpayment by reason of this subparagraph shall not exceed an amount computed at the rate of 1 cent a gallon *where tax was paid at the 3-cent rate or at the rate of 2 cents a gallon where tax was paid at the 4-cent rate*;

(J) in the case of a liquid in respect of which tax was paid under section 4041(b)(1) at the rate of 3 cents *or 4 cents* a gallon, used or resold for use otherwise than as a fuel for the propulsion of a highway vehicle (i) which (at the time of such use or resale) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (ii) which, in the case of a highway vehicle owned by the United States, is used on the highway; except that the amount of any overpayment by reason of this subparagraph shall not exceed an amount computed at the rate of 1 cent a gallon *where tax was paid at the 3-cent rate or at the rate of 2 cents a gallon where tax was paid at the 4-cent rate*;

(K) in the case of any article taxable under section 4061(b) (other than spark plugs and storage batteries), used or sold for use as repair or replacement parts or accessories, for farm equipment (other than equipment taxable under section 4061(a));

(L) in the case of tread rubber in respect of which tax was paid under section 4071(a)(4), used or sold for use otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c)), unless credit or refund of such tax is allowable under subsection (b)(3);

(M) in the case of gasoline, used or sold for use in production of special motor fuels referred to in section 4041(b);

(N) in the case of lubricating oil, used or sold for non-lubricating purposes;

(O) in the case of lubricating oil in respect of which tax was paid at the rate of 6 cents a gallon, used or sold for use as cutting oils (within the meaning of section 4092(b)); except that the amount of such overpayment shall not exceed an amount computed at the rate of 3 cents a gallon;

(P) in the case of any musical instrument taxable under section 4151, sold to a religious institution for exclusively religious purposes;

(Q) in the case of unexposed motion picture film, used or sold for use in the making of newsreel motion picture film.

* * * * *

SEC. 6421. GASOLINE USED FOR CERTAIN NONHIGHWAY PURPOSES OR BY LOCAL TRANSIT SYSTEMS.

(a) **NONHIGHWAY USES.**—If gasoline is used otherwise than as a fuel in a highway vehicle (1) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (2) which, in the case of a highway vehicle owned by the United States, is used on the highway, the Secretary or his delegate shall pay (without interest) to the ultimate purchaser of such gasoline an amount equal to 1 cent for each gallon of gasoline so used *on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon.*

(b) **LOCAL TRANSIT SYSTEMS.**—

(1) **ALLOWANCE.**—If gasoline is used during any calendar quarter in vehicles while engaged in furnishing scheduled common carrier public passenger land transportation service along regular routes, the Secretary or his delegate shall, subject to the provisions of paragraph (2), pay (without interest) to the ultimate purchaser of such gasoline the amount determined by multiplying—

(A) 1 cent for each gallon of gasoline so used *on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon,* by

(B) the percentage which the ultimate purchaser's tax-exempt passenger fare revenue derived from such scheduled service during such quarter was of his total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived from such scheduled service during such quarter.

(2) **LIMITATION.**—Paragraph (1) shall apply in respect of gasoline used during any calendar quarter only if at least 60 percent of the total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived during such quarter from scheduled service described in paragraph (1) by the person filing the claim was attributable to tax-exempt passenger fare revenue derived during such quarter by such person from such scheduled service.

MINORITY VIEWS

The bill, H.R. 8678, is deficient in the following respects:

(1) It fails to provide for the prompt payment to the several States of the full amounts which the Federal Government is already obligated to pay.

(2) It fails to provide for the continuation of construction of the National System of Interstate and Defense Highways at an annual rate which will permit completion of this program in accordance with the schedule set forth in the Highway Act of 1956.

(3) It imposes an inequitable and unjustified tax burden on highway users who are already paying direct excise taxes substantially in excess of the cost of the Federal-aid highway program.

The 1-cent additional sales tax on each gallon of gasoline, as imposed by the bill, will produce revenues in fiscal 1960 in the amount of \$333 million. This will fall short by approximately \$160 million of providing sufficient funds for payment to the States of vouchers expected to become due and payable prior to July 1, 1960. The administration proposes, according to testimony before the committee, to meet this problem by deferring payment beyond the due date—in other words, by default on the part of the Federal Government to the extent of \$160 million, at the expense of the States.

The act of 1956 provides that a National System of Interstate and Defense Highways be constructed by 1972 to design standards adequate to meet the traffic needs in 1975. This cannot be accomplished if annual apportionments fall below the level of \$2.5 billion now authorized for fiscal 1961. H.R. 8678 would permit the apportionment for fiscal 1961 of only \$1.8 billion and only \$2 billion for fiscal 1962. Moreover, administration witnesses testified that these amounts will be subjected to further stretchout by the exercise of administrative discretion under a procedure described as "contract control," a procedure the legal authority for which was not satisfactorily explained.

The bill does not provide assurance that apportionments for the Interstate System in any amount whatever can be made for fiscal 1963. It proposes a stretchout in this program, which is essential both from the standpoint of defense and from the standpoint of our economy, which would delay completion of the program until after 1975, thus making the system obsolete before it is completed.

The "solution" to the highway problem proposed by H.R. 8678 is not only inadequate, it is also grossly inequitable. Highway users will pay to the Federal Government in this fiscal year in excise taxes already levied an amount which will exceed by \$1.6 billion the amount which will be devoted to the highway program. In addition they pay all other taxes paid by taxpayers generally. Yet it is now proposed that an additional sales tax of 1 cent per gallon be levied on each gallon of gasoline sold. State and Federal taxes on gasoline, an essential commodity, already, in many States, equal the cost of

the fuel at the refinery, thus making a tax of 100 percent on manufactured cost. No other commodity essential to our economy is taxed so heavily. Justification for the proposed increased levy, on either economic or equitable grounds, is wholly lacking. If additional sources of revenue for the Federal Government must be found, no valid reason has been advanced for selecting the already disproportionately burdened highway user as the sole source from which it can be obtained.

Our highway program must be continued in accordance with the time schedule set forth in the Highway Act of 1956 and in accordance with the specific declaration of policy in that act. These highways, when constructed, will benefit the entire economy and will contribute to national defense. Highway users are by no means the sole beneficiary of the program. They are already paying more than the cost of the program. They should not be further penalized under threat of collapse of the program, to the detriment of the entire economy.

ALBERT GORE.

RUSSELL B. LONG.

EUGENE J. McCARTHY.

INDIVIDUAL VIEWS OF SENATOR DOUGLAS ON THE BILL.
H.R. 8678

I concur in most of the statements of fact contained in the minority views.

I favor the substitution of a repeal of the 4-percent dividend tax credit for the proposed 1-cent increase in the gasoline tax. If this fails, I favor the rescission of general appropriation bills by 1 percent, excluding those programs for which the full amount appropriated is required by law to be paid. I would prefer a gasoline tax increase of one-half cent per gallon over an increase of 1 cent.

The bill as reported, is, in my view, of questionable justification.

PAUL H. DOUGLAS.



Calendar No. 934

86TH CONGRESS
1ST SESSION

H. R. 8678

[Report No. 902]

[Report No. 903]

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 4 (legislative day, AUGUST 31), 1959

Read twice and referred to the Committee on Public Works

SEPTEMBER 4 (legislative day, AUGUST 31), 1959

Reported by Mr. CHAVEZ, with amendments

SEPTEMBER 4 (legislative day, AUGUST 31), 1959

Referred to the Committee on Finance

SEPTEMBER 4 (legislative day, AUGUST 31), 1959

Reported by Mr. BYRD of Virginia, with additional amendments

[Omit the part struck through and insert the part printed in italic]

AN ACT

To amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **TITLE I—FEDERAL-AID HIGHWAY**
4 **PROGRAM**

5 **SECTION 101. SHORT TITLE.**

6 This Act may be cited as the "Federal-Aid Highway
7 Act of 1959".

1 **SEC. 102. REVISION OF AUTHORIZATION OF APPROPRIA-**
2 **TIONS FOR INTERSTATE SYSTEM.**

3 Subsection (b) of section 108 of the Federal-Aid High-
4 way Act of 1956, as amended, is amended by striking out
5 “the additional sum of \$2,500,000,000 for the fiscal year
6 ending June 30, 1961,” and inserting in lieu thereof the
7 following: “the additional sum of \$2,000,000,000 for the
8 fiscal year ending June 30, 1961,”.

9 **SEC. 103. EXTENSION OF APPROVAL OF ESTIMATE OF**
10 **COST OF COMPLETING INTERSTATE SYSTEM.**

11 Section 8 of the Federal-Aid Highway Act of 1958, as
12 amended, is hereby further amended by striking out “the
13 fiscal years ending June 30, 1960, and June 30, 1961.”
14 and inserting in lieu thereof “the fiscal years ending June 30,
15 1960, 1961, and 1962.”

16 **SEC. 104. PARKWAYS.**

17 *For the purpose of carrying out the provisions of sec-*
18 *tion 4(b) of the Federal-Aid Highway Act of 1958 (72*
19 *Stat. 93), there is hereby authorized to be appropriated for*
20 *the construction, reconstruction, and improvement of park-*
21 *ways, authorized by Acts of Congress, on lands to which title*
22 *is vested in the United States, the additional sum of*
23 *\$2,000,000 for the fiscal year ending June 30, 1960.*

1 SEC. 105. NATIONAL SYSTEM OF INTERSTATE AND DEFENSE
2 HIGHWAY MILEAGE STUDY FOR ALASKA AND
3 HAWAII.

4 *The Secretary of Commerce is authorized and directed*
5 *to make a study of the need for the extension of the National*
6 *System of Interstate and Defense Highways within the*
7 *States of Alaska and Hawaii, and report the results of such*
8 *study to the Congress within ten days subsequent to January*
9 *4, 1960. The report shall include recommendations as to*
10 *the approximate routes and mileages thereof which should*
11 *be included in such system within those States.*

12 SEC. 106. EXEMPTION FROM NATIONAL STANDARDS OF CER-
13 TAIN AREAS ADJACENT TO THE INTERSTATE
14 SYSTEM.

15 *That subsection (b) of title 23, section 131 of the*
16 *United States Code is amended by striking therefrom the*
17 *following language: "Upon application of the State, any*
18 *such agreement may, within the discretion of the Secretary*
19 *of Commerce consistent with the national policy, provide for*
20 *excluding from application of the national standards seg-*
21 *ments of the Interstate System which traverse incorporated*
22 *municipalities wherein the use of real property adjacent to*
23 *the Interstate System is subject to municipal regulation or*

1 control, or which traverse other areas where the land use is
2 clearly established by State law as industrial or commercial:”
3 and substituting therefor the following language: “This sec-
4 tion shall not apply to those segments of the Interstate System
5 within the presently existing boundaries of incorporated munic-
6 ipalities where in the use of real property adjacent to the
7 Interstate System is subject to municipal regulation or con-
8 trol, or which traverse other areas where the land use, as of
9 the date of approval of this Act, is clearly established by
10 State law as industrial or commercial:”

11 SEC. 107. EMERGENCY RELIEF.

12 (a) That section 125 of title 23, United States Code, is
13 amended to read as follows:

14 “§ 125. Emergency relief

15 “(a) An emergency fund is authorized for expenditure
16 by the Secretary, subject to the provisions of this section and
17 section 120, for the repair or reconstruction of highways,
18 roads, and trails which he shall find have suffered serious
19 damage as the result of disaster over a wide area, such as
20 by floods, hurricanes, tidal waves, earthquakes, severe storms,
21 landslides, or other catastrophes in any part of the United
22 States. The appropriation of such moneys, not to exceed
23 \$30,000,000, as may be necessary for the initial establish-
24 ment of this fund and for its replenishment on an annual
25 basis is authorized. Pending such appropriation or replen-

1 ishment the Secretary may expend from any funds hereto-
2 fore or hereafter appropriated for expenditure in accord-
3 ance with the provisions of this title, including existing Fed-
4 eral-aid appropriations, such sums as may be necessary for
5 the immediate prosecution of the work herein authorized,
6 such appropriations to be reimbursed from the appropriations
7 herein authorized when made.

8 “(b) The Secretary may expend funds from the emer-
9 gency fund herein authorized for the repair or reconstruc-
10 tion of highways on the Federal-aid highway systems, in-
11 cluding the Interstate System, in accordance with the provi-
12 sions of this chapter. Except as to highways, roads, and
13 trails mentioned in subsection (c) of this section, no funds
14 shall be so expended unless the Secretary has received an
15 application therefor from the State highway department, and
16 unless an emergency has been declared by the Governor of the
17 State and concurred in by the Secretary.

18 “(c) The Secretary may expend funds from the emer-
19 gency fund herein authorized, either independently or in co-
20 operation with any other branch of the Government, State
21 agency, organization, or person, for the repair or reconstruc-
22 tion of forest highways, forest development roads and trails,
23 park roads and trails, and Indian reservation roads, whether
24 or not such highways, roads, or trails are on any of the Fed-
25 eral-aid highway systems.”

1 (b) Subsection (f) of section 120 of title 23, United
2 States Code, is amended to read as follows:

3 “(f) The Federal share payable on account of any re-
4 pair or reconstruction provided for by funds made available
5 under section 125 of this title shall not exceed 50 per centum
6 of the cost thereof, except that the Federal share payable on
7 account of any repair or reconstruction of forest highways,
8 forest development roads and trails, park roads and trails,
9 and Indian reservation roads may amount to 100 per
10 centum of the cost thereof, whether or not such highways,
11 roads, or trails are on any Federal-aid highway system. Any
12 project agreement for which the final voucher has not been
13 approved by the Secretary on or before the date of this Act
14 may be modified to provide for the Federal share authorized
15 herein.”

16 **TITLE II—INTERNAL REVENUE** 17 **CODE AND HIGHWAY TRUST** 18 **FUND AMENDMENTS**

19 **SEC. 201. TEMPORARY INCREASE IN MOTOR FUEL TAXES,** 20 **ETC.**

21 (a) GASOLINE.—Section 4081 of the Internal Revenue
22 Code of 1954 (relating to imposition of tax on gasoline)
23 is amended by adding at the end thereof the following new
24 subsection:

1 “(c) TEMPORARY INCREASE IN TAX.—On and after
2 September *October* 1, 1959, and before July 1, 1961, the
3 tax imposed by this section shall be 4 cents a gallon.”

4 (b) DIESEL FUEL AND SPECIAL MOTOR FUELS.—

5 (1) IMPOSITION OF TAX.—Section 4041 of such
6 Code (relating to imposition of tax on diesel fuel and
7 special motor fuels) is amended by adding at the end
8 thereof the following new subsection:

9 “(f) TEMPORARY INCREASES IN TAX.—On and after
10 September *October* 1, 1959, and before July 1, 1961—

11 “(1) if (without regard to this subsection) the
12 tax imposed by subsection (a) or (b) is 3 cents a
13 gallon, the tax imposed by such subsection shall be 4
14 cents a gallon, and

15 “(2) if (without regard to this subsection) the tax
16 imposed under paragraph (2) of subsection (a) or
17 (b) is 1 cent a gallon, the tax imposed under such para-
18 graph shall be 2 cents a gallon.”

19 (2) TECHNICAL AMENDMENTS.—The second sen-
20 tences of subsections (a) and (b) of such section 4041
21 are each amended by striking out “in lieu of 3 cents a
22 gallon”.

23 (c) FLOOR STOCKS TAX AND REFUNDS ON GASO-
24 LINE.—

1 (1) TAX.—Section 4226 (a) of such Code (relat-
 2 ing to floor stocks taxes) is amended by adding at the
 3 end thereof the following new paragraph:

4 “(5) 1959 TAX ON GASOLINE.—On gasoline sub-
 5 ject to tax under section 4081 which, on ~~September~~
 6 *October* 1, 1959, is held by a dealer for sale, there is
 7 hereby imposed a floor stocks tax at the rate of 1 cent
 8 a gallon. The tax imposed by this paragraph shall not
 9 apply to gasoline in retail stocks held at the place where
 10 intended to be sold at retail, nor to gasoline held for
 11 sale by a producer or importer of gasoline.”

12 (2) DATE FOR PAYMENT OF TAX.—Section 4226
 13 (d) of such Code (relating to due date of taxes) is
 14 amended by inserting before the period at the end thereof
 15 the following: “; except that the tax imposed by para-
 16 graph (5) shall be paid at such time after ~~November 30~~
 17 *December 31*, 1959, as may be prescribed by the Sec-
 18 retary or his delegate”.

19 (3) TECHNICAL AMENDMENT.—Section 4226 (c)
 20 of such Code (relating to definition of dealer, etc.) is
 21 amended by striking out “section 6412 (a) (3)” and
 22 inserting in lieu thereof “section 6412 (a) (4)”.

23 (4) REFUNDS.—Section 6412 (a) of such Code
 24 (relating to floor stocks refunds) is amended by re-

1 numbering paragraph (3) as paragraph (4) and by
2 inserting after paragraph (2) the following new para-
3 graph:

4 “(3) GASOLINE HELD ON JULY 1, 1961.—
5 Where before July 1, ~~1951~~ 1961, any gasoline subject
6 to the tax imposed by section 4081 has been sold by the
7 producer or importer and on such date is held by a
8 dealer and is intended for sale, there shall be credited
9 or refunded (without interest) to the producer or im-
10 porter an amount equal to the difference between the
11 tax paid by such producer or importer on his sale of
12 the gasoline and the amount of tax made applicable to
13 such gasoline on and after July 1, 1961, if claim
14 for such credit or refund is filed with the Secretary or his
15 delegate on or before November 10, 1961, based upon a
16 request submitted to the producer or importer before
17 October 1, 1961, by the dealer who held the gasoline
18 in respect of which the credit or refund is claimed, and,
19 on or before November 10, 1961, reimbursement has been
20 made to such dealer by such producer or importer for
21 the tax reduction on such gasoline or written consent has
22 been obtained from such dealer to allowance of such
23 credit or refund. No credit or refund shall be allowable
24 under this paragraph with respect to gasoline in retail

1 stocks held at the place where intended to be sold at
2 retail, nor with respect to gasoline held for sale by a
3 producer or importer of gasoline.”

4 (d) CREDITS AND REFUNDS.—

5 (1) TAX PAYMENTS CONSIDERED OVERPAY-
6 MENTS.—Section 6416 (b) (2) of such Code (relating
7 to special cases in which tax payments are considered
8 overpayments) is amended—

9 (A) by striking out “at the rate of 3 cents a
10 gallon” each place it appears in subparagraphs
11 (H), (I), and (J) and inserting in lieu thereof “at
12 the rate of 3 cents or 4 cents a gallon”;

13 (B) by striking out “1 cent for each gallon”
14 in subparagraph (H) and inserting in lieu thereof
15 “1 cent (where tax was paid at the 3-cent rate)
16 or 2 cents (where tax was paid at the 4-cent
17 rate) for each gallon”; and

18 (C) by striking out “at the rate of 1 cent a
19 gallon;” at the end of subparagraphs (I) and (J)
20 and inserting in lieu thereof the following: “at the
21 rate of 1 cent a gallon where tax was paid at the 3-
22 cent rate or at the rate of 2 cents a gallon where
23 tax was paid at the 4-cent rate;”.

24 (2) GASOLINE USED FOR CERTAIN NONHIGHWAY

PURPOSES OR BY LOCAL TRANSIT SYSTEMS.—Subsections (a) and (b) (1) (A) of section 6421 of such Code (relating to gasoline used for certain nonhighway purposes or by local transit systems) are each amended by striking out “1 cent for each gallon of gasoline so used” and inserting in lieu thereof “1 cent for each gallon of gasoline so used on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon”.

(e) COLLECTION OF GASOLINE TAX AT WHOLESALE DISTRIBUTOR LEVEL.—

(1) TREATMENT OF WHOLESALE DISTRIBUTOR AS PRODUCER.—The first sentence of section 4082 (a) of the Internal Revenue Code of 1954 (relating to definition of “producer” for purposes of tax on gasoline) is amended to read as follows: “As used in this subpart, the term ‘producer’ includes a refiner, compounder, blender, or wholesale distributor, *and a dealer selling gasoline exclusively to producers of gasoline*, as well as a producer.”

(2) WHOLESALE DISTRIBUTOR DEFINED.—Section 4082 of such Code is amended by adding at the end thereof the following new subsection:

1 “(d) WHOLESALE DISTRIBUTOR.—As used in subsec-
 2 tion (a), the term ‘wholesale distributor’ includes any
 3 person who—

4 “(1) sells gasoline to producers, to retailers, or
 5 to users who purchase in bulk quantities for delivery
 6 into bulk storage tanks, and

7 “(2) ~~is registered and bonded~~ *elects to register and*
 8 *give a bond* with respect to the tax imposed by section
 9 4081.

10 Such term does not include any person who (excluding the
 11 term ‘wholesale distributor’ from subsection (a)) is a pro-
 12 ducer or importer.”

13 (3) EFFECTIVE DATE.—The amendments made by
 14 paragraphs (1) and (2) shall take effect on January
 15 1, 1960.

16 **SEC. 202. TRANSFERS TO HIGHWAY TRUST FUND.**

17 (a) TRANSFER.—Section 209 (c) of the Highway
 18 Revenue Act of 1956 (relating to transfer to Highway
 19 Trust Fund of amounts equivalent to certain taxes) is
 20 amended by renumbering paragraphs (2) and (3) as
 21 paragraphs (3) and (4), respectively, and by inserting
 22 after paragraph (1) the following new paragraph:

23 “(2) EXCISE TAX ON AUTOMOBILES, PARTS
 24 AND ACCESSORIES, ETC.—There is hereby appropriated
 25 to the Trust Fund, out of money in the Treasury not

otherwise appropriated, amounts equivalent to that portion of the taxes received in the Treasury after June 30, 1961, and before July 1, 1964, under subsection (a) (2) (tax on passenger automobiles, etc.) and (b) (tax on parts and accessories) of section 4061 of the Internal Revenue Code of 1954 which is equal to the amount which would have been so received if the tax rate under each such subsection had been 5 percent in lieu of the applicable rate.”

(b) CONFORMING AMENDMENTS.—

(1) CLERICAL AMENDMENT.—Paragraph (4) (as renumbered by subsection (a)) of such section 209 (c) is amended by striking out “paragraphs (1) and (2)” each place it appears and inserting in lieu thereof “paragraphs (1), (2), and (3)”.

(2) FLOOR STOCKS REFUNDS.—Section 209 (f) of the Highway Revenue Act of 1956 (relating to expenditures from Highway Trust Fund) is amended—

(A) by striking out the heading to paragraph (4) and inserting in lieu thereof the following:

“(4) 1972 FLOOR STOCKS REFUNDS.—”; and

(B) by adding at the end thereof the following new paragraph:

“(5) 1961 FLOOR STOCKS REFUNDS ON GASOLINE.—The Secretary of the Treasury shall pay from

1 time to time from the Trust Fund into the general fund
2 of the Treasury amounts equivalent to the floor stocks
3 refunds made before July 1, 1962, under section
4 6412 (a) (3)."

Passed the House of Representatives September 3, 1959.

Attest:

RALPH R. ROBERTS,

Clerk.

86TH CONGRESS
1ST SESSION

H. R. 8678

[Report No. 902]

[Report No. 903]

AN ACT

To amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

SEPTEMBER 4 (legislative day, August 31), 1959

Read twice and referred to the Committee on Public Works

SEPTEMBER 4 (legislative day, August 31), 1959

Reported with amendments

SEPTEMBER 4 (legislative day, August 31), 1959

Referred to the Committee on Finance

SEPTEMBER 4 (legislative day, August 31), 1959

Reported with additional amendments

Sept 5, 1957

or loss (pp. 16654-74). Rep. Mills stated that the bill "gives the President authority to act as though there were no statutory ceiling on the interest rate on Series E and H bonds...; other detailed provisions include a more generous authorization for the Treasury to permit continued holding of matured savings bonds at current interest rates" (p. 16657). Rejected, 133 to 256, a motion by Rep. Simpson, Pa., to recommit the bill to committee with instructions to include a provision removing the present ceiling on certain long-term securities (pp. 16673-4).

13. MILITARY CONSTRUCTION APPROPRIATIONS, 1960. Agreed to the conference report on this bill, H. R. 8575, and concurred in the one amendment in disagreement with an amendment (pp. 16624-9). This amendment changed the Senate figure for Army military construction from \$278,773,700 to \$263,632,300, including \$1,700,000 to be used only for the purchase of foreign currencies to construct military facilities for the Army Security Agency (p. 16629). The Senate later agreed to the conference report and concurred in the House amendment (pp. 16591-3). This bill will now be sent to the President.
14. PERSONNEL. The Post Office and Civil Service Committee reported without amendment H. R. 8289, to revise the Civil Service Retirement Act so as to accelerate the dates on which certain retirement annuities shall commence (H. Rept. 1150). p. 16689
15. BUILDINGS; AGRICULTURAL ATTACHES. The Foreign Affairs Committee voted to report (but did not actually report H. R. 9036, to amend the Foreign Service Buildings Act, to authorize the construction or alteration of certain buildings in foreign countries for use by the U.S., (including USDA foreign attache housing). p.D875

HOUSE - SEPT. 5

16. FARM PROGRAM; CONGRESSIONAL-EXECUTIVE RELATIONS. Rep. Evins cited the vetoes of two farm bills (wheat and tobacco price support bills) as evidence of what he termed a lack of effort by the Executive to make concessions on legislative issues, and he criticized the Secretary's farm views and administration of the farm program (p. 16699). He reviewed some "helpful legislation for agriculture" enacted this session and stated that if the "spirit of cooperation which has been evidenced on the side of Congress will be reciprocated fully by the executive branch," the farm problem and other legislative difficulties "will be solved." pp. 16698-702
17. FISCAL POLICY; PUBLIC DEBT. Rep. Haley criticized Congress for raising the debt limit without taking steps to pay off the public debt and urged support for his bill, H. R. 5203, which, he stated, would "provide a reasonable method for paying off this tremendous debt we have accumulated." pp. 16693-4
18. ADJOURNED until Mon., Sept. 7. p. 16723

SENATE - SEPT. 5

19. ROADS. Sens. Mansfield and Murray commended the Senate Public Works Committee for including a provision in H. R. 8678, the Federal Aid Highway Act of 1959, to permit the Secretary of Commerce to use the highway emergency fund to pay up to 100 percent of the cost of repair or reconstruction of forest highways or forest roads and trails damaged by natural disasters. pp. 16745-50

Senate passed HR 8678 with amendments. 16725, 16727-787
conference appointed.

20. HOUSING. Sen. Capehart submitted a summary of the new housing bill that he proposes, including a provision for \$75,000 for farm housing research. p. 16730
21. FOREIGN TRADE; SURPLUS COMMODITIES. Further consideration of S. 1748, to extend Public Law 480, was postponed until Mon., Sept. 7. p. 16787
22. INTEREST RATES. The Finance Committee reported with amendments H. R. 9035, to permit the issuance of E and H saving bonds at interest rates above the existing maximum and to permit the Secretary of Treasury to designate certain exchanges of Government securities to be made without recognition of gain or loss (S. Rept 909). p. 16746
23. INDEPENDENT OFFICES APPROPRIATION BILL, 1960. At the request of Sen. Morse a summary table was inserted on this bill, H.R. 7040, showing a comparison of the estimates with the action taken on each item. pp. 16730-2
24. RECESSED until Mon., Sept. 7. p. 16790

BILLS INTRODUCED

25. PERSONNEL. S. 2649, by Sen. Kefauver, to extend the provisions of the Federal Employees' Compensation Act to State and local law enforcement officers who are killed or injured while, or as a direct result of, enforcing any Federal law; to Labor and Public Welfare Committee. Remarks of author. pp. A7715-6
H. R. 9101 to H. R. 9104 and H. R. 9116, to provide a health benefits program for certain retired employees of the Government; to Post Office and Civil Service Committee.
26. RECREATION. H. R. 9090, by Rep. Kilgore, and H. R. 9099, by Rep. Young, to save and preserve, for the public use and benefit, a portion of the remaining underdeveloped shoreline area of the United States; to Interior and Insular Affairs Committee.
27. PROPERTY. H. R. 9086, by Rep. Broomfield, H. R. 9115, by Rep. Bowles, and H. R. 9117, by Rep. Smith, Iowa, to authorize the payment to local governments of sums in lieu of taxes and special assessments with respect to certain Federal real property; to Interior and Insular Affairs Committee.
28. WHEAT ACREAGE. H. R. 9092, by Rep. McGinley, to amend subsection (b) of section 334 of the Agricultural Adjustment Act of 1938, as amended; to Agriculture Committee.
29. RIVER BASIN. H. R. 9094, by Rep. Rivers, Alaska, to establish the U. S. Study Commission on the Development of the Rivers, Ports, and Drainage Basins (and intervening areas) of the State of Alaska; to Public Works Committee.
30. ASC COMMITTEES. H. R. 9118, by Rep. Teague, Texas, to bring employees of the agricultural stabilization conservation county committees within the purview of any group health benefits program for Government employees; to Post Office and Civil Service Committee.

BILL APPROVED BY THE PRESIDENT

31. APPROPRIATIONS. H. J. Res. 510, the continuing resolution making temporary appropriations to Departments and agencies for September pending the enactment of the remaining regular appropriation bills. Approved Sept. 3, 1959 (Public Law 86-224, 86th Congress).

Senate

SATURDAY, SEPTEMBER 5, 1959

(Legislative day of Monday, August 31, 1959)

The Senate met at 11 o'clock a.m., on the expiration of the recess.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

Eternal Father, strong to save: Amid all the confusion and bafflement of these days, we pray by Thy sustaining grace that our minds may be kept clear and clean and uncluttered by prejudice.

Lord, in this hour of tumult;
Lord, in this night of fears;
Keep open, O keep open
Our eyes, our hearts, our ears
In this sacred temple of the Republic's life,

Not blindly nor in hatred,
Lord let us do our part.
Keep open, O keep open, dear Lord,
Our eyes, our mind, our heart.

Amen.

REQUESTS FOR COMMITTEE MEETINGS DURING SENATE SESSION

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Banking and Currency Committee, which is considering the housing bill, be permitted to sit during the session of the Senate today.

The VICE PRESIDENT. Without objection—

Mr. MORSE. Mr. President—

The VICE PRESIDENT. Is there objection?

Mr. MORSE. I object.

The VICE PRESIDENT. Objection is heard.

Mr. JOHNSON of Texas. Mr. President, it may be necessary to recess the Senate, in order to permit committees to meet, to transact the public business. I hope that will not be necessary; but I want all Members to be on notice that it may be necessary. I trust that the 90-odd Members who indicated that they were willing, ready, and anxious to work to complete the job which we were elected to do will be here to support that position.

Mr. President, I ask unanimous consent that the Finance Committee, which has under consideration the bill on the interest rate ceiling on E-bonds and H-bonds, may be permitted to sit during the session of the Senate today.

Mr. MORSE. Mr. President, I object.

FEDERAL-AID HIGHWAY ACT OF 1959

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 934, House bill 8678.

The VICE PRESIDENT. The bill will be read by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 8678) to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill (H.R. 8678) to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes, which had been reported from the Committee on Public Works, with amendments; and subsequently had been reported from the Committee on Finance, with additional amendments.

Mr. JOHNSON of Texas. Mr. President, I move that the vote by which the motion to consider the bill was agreed to be reconsidered.

Mr. KUCHEL. Mr. President, I move to lay on the table the motion to reconsider.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from California.

The motion was agreed to.

LEGISLATIVE PROGRAM

Mr. JOHNSON of Texas. Mr. President, I give notice to the Senate that we expect to have a late session this evening. It may continue until as late as midnight, at least. We are hopeful that the Senate will be able today to pass the very important Federal-aid-to-highways bill.

We received complete cooperation from all the members of the two Senate committees yesterday; and I particularly wish to express the appreciation of the Senate and, I believe, of the country, to the very able Senator from Tennessee [Mr. GORE], the very able Senator from Minnesota [Mr. McCARTHY], and the very able Senator from New Mexico [Mr. ANDERSON], and to other Senators who had proposals in which they were interested. They realize the importance of this bill; and they also realize that with each day that passes, the country is losing taxes it will need in order to make the highway program a success.

As a result of their diligence and the diligence of the chairman of the Finance Committee, the Senator from Virginia [Mr. BYRD], and the chairman of the Public Works Committee, the Senator from New Mexico [Mr. CHAVEZ], we were able—notwithstanding the fact that it was necessary for the Senate to be in recess—to get that important piece of proposed legislation reported.

Each Member will have a chance to say what he wishes to say on that measure,

today; and a little later I will propose a unanimous-consent request for a limitation of time, so that Members who may desire to be away from the Chamber may know when to expect votes.

But at the moment—

Mr. PROUTY. Mr. President, will the Senator from Texas yield to me?

Mr. JOHNSON of Texas. I yield.

Mr. PROUTY. The Senator from Texas knows that a very controversial amendment, an amendment which relates to billboards, which was approved yesterday by the Public Works Committee, is in the highway bill; and millions of people throughout the country are very much concerned about that provision.

I hope the distinguished majority leader will not seek to limit time on this important question, about which few Members know anything; they have no idea of what the effects will be on their individual States. I believe widespread resentment would result if we were to act on this proposal too precipitately.

Mr. JOHNSON of Texas. Mr. President, I do not intend to act on it precipitately. I am simply trying to carry out the requests of the administration and of the Members of the Senate.

So we shall be here hour after hour after hour, to attend to the necessary business.

Mr. President—

The VICE PRESIDENT. The Senator from Texas.

RECESS

Mr. JOHNSON of Texas. Mr. President, I move that the Senate take a recess, subject to the call of the Chair.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and (at 11 o'clock and 5 minutes a.m.) the Senate took a recess, subject to the call of the Chair.

At 12 o'clock and 45 minutes p.m. the Senate resumed its session, on the expiration of the recess.

DESIGNATION OF ACTING PRESIDENT PRO TEMPORE

The legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., September 5, 1959.
To the Senate:

Being temporarily absent from the Senate, I appoint Hon. ALAN BIBLE, a Senator from the State of Nevada, to perform the duties of the Chair during my absence.

CARL HAYDEN,
President pro tempore.

Mr. BIBLE thereupon took the chair as Acting President pro tempore.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed a bill (H.R. 9035) to permit the issuance of series E and H U.S. savings bonds at interest rates above the existing maximum, to permit the Secretary of the Treasury to designate certain exchanges of Government securities to be made without recognition of gain or loss, and for other purposes, in which it requested the concurrence of the Senate.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills:

S. 1555. An act to provide for the reporting and disclosure of certain financial transactions and administrative practices of labor organizations and employers, to prevent abuses in the administration of trusteeships by labor organizations, to provide standards with respect to the election of officers of labor organizations, and for other purposes;

S. 2457. An act to provide equitable treatment for producers participating in the soil bank program on the basis of incorrect information furnished by the Government;

H.R. 7040. An act making appropriations for sundry independent executive bureaus, boards, commissions, corporations, agencies, and offices, for the fiscal year ending June 30, 1960, and for other purposes; and

H.R. 8575. An act making appropriations for military construction for the Department of Defense for the fiscal year ending June 30, 1960, and for other purposes.

ORDER OF BUSINESS

Mr. BYRD of Virginia. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives.

The ACTING PRESIDENT pro tempore. The Chair lays before the Senate a bill coming over from the House of Representatives, which will be read the first time.

The bill (H.R. 9035) to permit the issuance of series E and H U.S. savings bonds at interest rates above the existing maximum, to permit the Secretary of the Treasury to designate certain exchanges of Government securities to be made without recognition of gain or loss, and for other purposes, was read the first time by its title.

The ACTING PRESIDENT pro tempore. Is there objection to the second reading and reference of the bill?

Mr. MORSE. Mr. President, I object.

Mr. JOHNSON of Texas. Mr. President, I move that the Senate stand in adjournment for 3 minutes.

The motion was agreed to; and, at 12 o'clock and 48 minutes p.m., the Senate adjourned for 3 minutes.

AFTER ADJOURNMENT

(Saturday, September 5, 1959)

The Senate met at 12 o'clock and 51 minutes p.m., pursuant to adjournment.

DESIGNATION OF ACTING PRESIDENT PRO TEMPORE

The legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,

Washington, D.C., September 5, 1959.

To the Senate:

Being temporarily absent from the Senate, I appoint Hon. ALAN BIBLE, a Senator from the State of Nevada, to perform the duties of the Chair during my absence.

CARL HAYDEN,
President pro tempore.

Mr. BIBLE thereupon took the chair as Acting President pro tempore.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

O Thou Master of all good workmen, enrich us with the durable satisfactions of life, so that the multiplying years may not find us bankrupt in those things which matter most—the golden currency of faith, and hope, and love.

We ask it in the Redeemer's name. Amen.

THE JOURNAL

The ACTING PRESIDENT pro tempore. The Secretary will proceed to read the Journal.

The Secretary proceeded to read the Journal of Thursday, September 3, Friday, September 4, and Saturday, September 5, embraced in the legislative day of Monday, August 31, 1959.

During the reading the following occurred:

Mr. JOHNSON of Texas. Mr. President, a parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senator from Texas will state it.

Mr. JOHNSON of Texas. Is it proper to have the bill read the second time now?

The ACTING PRESIDENT pro tempore. It will be proper to do so as soon as the reading of the Journal has been disposed of.

Mr. JOHNSON of Texas. That will take several minutes, if it is desired to waste the public funds to engage in dilatory tactics by reading the Journal. But if it is necessary to do so, that can be done. Then we hope to have the bill read the second time and referred to committee. It is a very important bill. It is a bill on which we want to act next week. The committee is prepared to meet late this afternoon. If the Journal can be approved without having it read in its entirety, I should like to have that done, because the reading of the Journal is purely a formality.

I ask unanimous consent that the reading of the Journal be dispensed with, so that the bill may be read the second time and referred to committee, and that the committee can give proper consideration to it.

The PRESIDING OFFICER. Is there objection?

Mr. MORSE. Reserving the right to object, I shall not take any time now to discuss certain reasons for the course of action which the senior Senator from

Oregon is taking in regard to the parliamentary problems before the Senate. I shall discuss them at some length in a later speech. Therefore, at this time I will object.

The ACTING PRESIDENT pro tempore. The clerk will proceed with the reading of the Journal.

The Secretary resumed the reading of the Journal.

Mr. MORSE. Mr. President, may we have order, so that I can hear the reading of the Journal? I raise a parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senate will be in order. The Senator may state his parliamentary inquiry.

Mr. MORSE. Will the Chair advise me whether the Journal is being read in sequence, without omissions? The only reason why I raise the question is that I notice the reading clerk has turned a great many pages. I assume they are blank pages and are not a part of the Journal.

The ACTING PRESIDENT pro tempore. The Chair is advised that the Secretary read the action on the conference report, but did not read the conference report word for word.

Mr. MORSE. Mr. President, I object to the omission from the reading of any of the material contained in the Journal. The rule makes perfectly clear that the Journal is to be read and that the Journal is subject to approval; and I object to any omission or failure to read any part of the official Journal.

The ACTING PRESIDENT pro tempore. The Chair is advised that objection has been made; therefore, the Journal is to be read in full.

The Secretary resumed the reading of the Journal.

Mr. MORSE. Mr. President, I cannot hear the Secretary.

The ACTING PRESIDENT pro tempore. The Chair must insist that the Senate be in order. The Secretary will suspend until the Senate is in order.

The Chair asks the Secretary to read just a little louder, so the Senator from Oregon can hear every word.

The Secretary will proceed.

The Secretary resumed and concluded the reading of the Journal.

ENROLLED BILLS SIGNED

The ACTING PRESIDENT pro tempore announced that he had signed the following enrolled bills, which had previously been signed by the Speaker of the House of Representatives:

S. 1555. An act to provide for the reporting and disclosure of certain financial transactions and administrative practices of labor organizations and employers, to prevent abuses in the administration of trusteeships by labor organizations, to provide standards with respect to the election of officers of labor organizations, and for other purposes;

S. 2457. An act to provide equitable treatment for producers participating in the soil bank program on the basis of incorrect information furnished by the Government;

H.R. 7040. An act making appropriations for sundry independent executive bureaus,

boards, commissions, corporations, agencies, and offices, for the fiscal year ending June 30, 1960, and for other purposes; and H.R. 8575. An act making appropriations for military construction for the Department of Defense for the fiscal year ending June 30, 1960, and for other purposes.

INTEREST RATES ON E AND H U.S. SAVINGS BONDS—HOUSE BILL REFERRED

The PRESIDING OFFICER (Mr. CANNON in the chair). The Chair lays before the Senate House bill 9035 for a second reading and reference to the Committee on Finance.

The bill (H.R. 9035) to permit the issuance of series E and H U.S. savings bonds at interest rates above the existing maximum, to permit the Secretary of the Treasury to designate certain exchanges of Government securities to be made without recognition of gain or loss, and for other purposes, which was read the second time by title and referred to the Committee on Finance.

FEDERAL AID HIGHWAY ACT OF 1959

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 934, House bill 8678, the Federal Aid Highway Act of 1959.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 8678), to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Public Works with amendments, and subsequently reported from the Committee on Finance with additional amendments.

Mr. JOHNSON of Texas. Mr. President, I wish to inform Senators that this is a very important bill. There are a number of amendments both from the Committee on Public Works and the Committee on Finance which Senators will wish to examine. Several amendments have been submitted by the Senator from Tennessee [Mr. GORE], the Senator from Minnesota [Mr. McCARTHY], and other members of the Finance Committee. I am told that so far as the committee is concerned, no lengthy debate will be necessary, although a full explanation is desired of each amendment and of its effect. Roll-calls will be requested.

One of the amendments involves reducing the appropriations 1 percent. Another amendment involves using the tax dividend credit, to take care of highway obligations. There are other amendments with which I am not familiar in detail.

The Senate will remain in session as late this evening as necessary to pass the bill and send it to conference. Some

amendments have been added by both the Public Works Committee and the Finance Committee. It is desired to send the bill to conference before the Senate adjourns or takes a recess this evening. So I ask the acting minority leader and the attachés on the minority side, as well as those on the majority side, to give each Senator due notice that there is pending business.

It may be necessary for the Senate to take a recess for a brief period for consideration of other committee business if we are unable to obtain consent to have committees meet during the session of the Senate. I am hopeful that we shall be able to obtain consent for the Finance Committee to meet for a brief period. If so, we shall not have to take a recess. However, if a recess is necessary, it will be taken, and the Senate will reassemble later.

I also expect to ask unanimous consent, if I am able to arrive at a satisfactory arrangement with the author of an amendment and with the chairman of the committee and any other Senators who may be interested in specific amendments, so that Senators who may be detained at other places in the city or at their homes will know definitely the time we expect to vote, in order that all Senators may have an opportunity to record themselves.

The PRESIDING OFFICER. The clerk will state the first committee amendment.

Mr. MORSE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. MORSE. I intended to propound this inquiry immediately following the reading of the Journal. For the RECORD, I should like to make this inquiry: Will the Chair advise the Senator from Oregon whether or not the entire Journal was read, without omissions?

The PRESIDING OFFICER. So far as the Chair knows, the entire Journal was read, without omission.

The clerk will state the first committee amendment.

The LEGISLATIVE CLERK. On page 2, after line 15, it is proposed a new section, entitled "Parkways."

Mr. JOHNSON of Texas. Mr. President, I inquire of the Senator from Tennessee [Mr. GORE] if he is prepared to offer his amendment when he obtains recognition?

Mr. GORE. I am.

Mr. JOHNSON of Texas. I hope all Senators now in the Chamber will take note of this fact, and that the aids will notify other Senators.

Mr. President, I ask unanimous consent that the committee amendments be agreed to en bloc, and that the bill, as thus amended, be regarded as original text for the purpose of amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendments of the Committee on Public Works agreed to en bloc were:

On page 2, after line 15, to insert a new section, as follows:

"SEC. 104. Parkways.

"For the purpose of carrying out the provisions of section 4(b) of the Federal-Aid

Highway Act of 1958 (72 Stat. 93), there is hereby authorized to be appropriated for the construction, reconstruction, and improvement of parkways, authorized by Acts of Congress, on lands to which title is vested in the United States, the additional sum of \$2,000,000 for the fiscal year ending June 30, 1960."

At the top of page 3, to insert a new section, as follows:

"SEC. 105. National System of Interstate and Defense Highway mileage study for Alaska and Hawaii.

"The Secretary of Commerce is authorized and directed to make a study of the need for the extension of the National System of Interstate and Defense Highways within the States of Alaska and Hawaii, and report the results of such study to the Congress within ten days subsequent to January 4, 1960. The report shall include recommendations as to the approximate routes and mileages thereof which should be included in such system within those States."

After line 11, to insert a new section, as follows:

"SEC. 106. Exemption from national standards of certain areas adjacent to the Interstate System.

"That subsection (b) of title 23, section 131 of the United States Code is amended by striking therefrom the following language: 'Upon application of the State, any such agreement may, within the discretion of the Secretary of Commerce consistent with the national policy, provide for excluding from application of the national standards segments of the Interstate System which traverse incorporated municipalities wherein the use of real property adjacent to the Interstate System is subject to municipal regulation or control, or which traverse other areas where the land use is clearly established by State law as industrial or commercial;' and substituting therefor the following language: 'This section shall not apply to those segments of the Interstate System within the presently existing boundaries of incorporated municipalities where in the use of real property adjacent to the Interstate System is subject to municipal regulation or control, or which traverse other areas where the land use, as of the date of approval of this Act, is clearly established by State law as industrial or commercial:'"

And on page 4, after line 10, to insert a new section, as follows:

"SEC. 107. Emergency relief.

"(a) That section 125 of title 23, United States Code, is amended to read as follows:

"§ 125. Emergency relief.

"(a) An emergency fund is authorized for expenditure by the Secretary, subject to the provisions of this section and section 120, for the repair or reconstruction of highways, roads, and trails which he shall find have suffered serious damage as the result of disaster over a wide area, such as by floods, hurricanes, tidal waves, earthquakes, severe storms, landslides, or other catastrophes in any part of the United States. The appropriation of such moneys, not to exceed \$30,000,000 as may be necessary for the initial establishment of this fund and for its replenishment on an annual basis is authorized. Pending such appropriation or replenishment the Secretary may expend from any funds heretofore or hereafter appropriated for expenditure in accordance with the provisions of this title, including existing Federal-aid appropriations, such sums as may be necessary for the immediate prosecution of the work herein authorized, such appropriations to be reimbursed from the appropriations herein authorized when made.

"(b) The Secretary may expend funds from the emergency fund herein authorized

for the repair or reconstruction of highways on the Federal-aid highway systems, including the Interstate System, in accordance with the provisions of this chapter. Except as to highways, roads, and trails mentioned in subsection (c) of this section, no funds shall be so expended unless the Secretary has received an application therefor from the State highway department, and unless an emergency has been declared by the Governor of the State and concurred in by the Secretary.

"(c) The Secretary may expend funds from the emergency fund herein authorized, either independently or in cooperation with any other branch of the Government, State agency, organization, or person, for the repair or reconstruction of forest highways, forest development roads and trails, park roads and trails, and Indian reservation roads, whether or not such highways, roads, or trails are on any of the Federal-aid highway systems."

"(b) Subsection (f) of section 120 of title 23, United States Code, is amended to read as follows:

"(f) The Federal share payable on account of any repair or reconstruction provided for by funds made available under section 125 of this title shall not exceed 50 per centum of the cost thereof, except that the Federal share payable on account of any repair or reconstruction of forest highways, forest development roads and trails, park roads and trails, and Indian reservation roads may amount to 100 per centum of the cost thereof, whether or not such highways, roads, or trails are on any Federal-aid highway system. Any project agreement for which the final voucher has not been approved by the Secretary on or before the date of this Act may be modified to provide for the Federal share authorized herein."

The amendments of the Committee on Finance agreed to en bloc were:

On page 7, at the beginning of line 2, to strike out "September" and insert "October"; at the beginning of line 10, to strike out "September" and insert "October"; on page 8, line 5, after the word "on", to strike out "September" and insert "October"; in line 16, after the word "after", to strike out "November 30" and insert "December 31"; on page 9, line 5, after "July 1," to strike out "1951" and insert "1961"; on page 11, line 19, after the word "distributor", to insert "and a dealer selling gasoline exclusively to producers of gasoline", and on page 12, line 7, after "(2)", to strike out "is registered and bonded" and insert "elects to register and give a bond."

Mr. JOHNSON of Texas. Mr. President, if the Senator from Tennessee will offer his amendment at the conclusion of these statements by Senators who now desire recognition, I shall attempt to obtain the attendance of other Senators.

THE CRISIS IN LAOS

Mr. DODD. Mr. President, the latest phase of overt Communist aggression against free and peaceful neighbors, the subjugation of Tibet and the guerrilla-type invasions of Laos and India, marks the end of the uneasy truce that has existed in southeast Asia since the Geneva accord of 1954. The conjunction of this aggression with the preparation of an exchange of informal summit meetings between Khrushchev and President Eisenhower calls to mind two events of recent history.

One is the trip of Bulganin and Khrushchev to India in 1955. Prime Minister Nehru, in an honest but misguided at-

tempt to give Khrushchev and Bulganin full opportunity to observe and to be observed, gave them every chance to make the most of their visit. Every kindness and honor imaginable was extended to them. Khrushchev and Bulganin were invited to address the Indian Parliament, just as many have urged that Khrushchev be invited to address our Congress. The theme of their talks was peaceful coexistence, just as Khrushchev has recently released an address on peaceful coexistence for publication in American newspapers.

Khrushchev and Bulganin donned Indian headgear, publicly observed the rituals and customs of the Moslems, and in general took full advantage of every opportunity to make a favorable impression and to create a false atmosphere of good feeling.

And what was the result of all this?

The people of India were softened up. The hand of communism within India was strengthened. The Government of India was lulled into a false sense of security. And now, those who preached peaceful coexistence a few years ago have launched Communist invasions into Indian territory and are directing Communist uprisings and riotings in the cities of India.

The second event which the present world situation calls to mind is the ill-fated Geneva Summit Conference also in 1955. That conference, like those of this year, was called ostensibly to achieve a "lessening of tensions."

The same make-believe atmosphere of false optimism that is now so apparent filled the air then.

We now know that at the very time free world leaders were meeting with Khrushchev and Bulganin to discuss peace, the Communists were secretly shipping arms to the Middle East in an attempt to stir up further warfare and subversion.

And so it is not surprising that preparations for a new round of summit conferences should be accompanied by new acts of Communist aggression, this time in southeast Asia.

But there is one striking difference in the circumstances surrounding the summit conference of 1955 and the present series of negotiations.

Khrushchev made some peaceful gestures to pave the way for the last summit conference, by agreeing to the liberation of Austria and by the dramatic though short-lived restoration of normal relations with Yugoslavia. And at that time, the treacherous arms shipments to the Middle East were made under a veil of secrecy.

Here lies the great difference between then and now. The present Communist estimate of the free world and its leaders is so diminished that they now seek, and gain, their conferences by ultimatums. And the Communists are now so contemptuous of us that they engage in open aggression as a prelude to meetings with our President.

The guerrilla attacks on India and Laos constitute only a part of an entire pattern of Communist aggression extending along the 2,000-mile border of Communist China which parallels the

borders of Laos, Burma, India, Bhutan, Sikkim, and Nepal. Each of these nations is being attacked, infiltrated or threatened by forces directed from Peiping and Moscow. From the China Sea to the Himalayas, militant and aggressive communism is on the march.

There is a great deal of speculation about the nature of Khrushchev's role in these attacks. I believe that Khrushchev is an accomplice and a collaborator. During the early stages of the attack on Laos, the North Vietnamese Communist chief, Ho Chi Minh, was Khrushchev's guest during an extended state visit to Moscow. He was in Moscow throughout the period when the propaganda barrage against Laos was unleashed. First, the Red government in Hanoi, then the Red government in Peiping, and finally the Red government in Moscow joined in the propaganda attack which accompanied the invasion.

The Moscow press continues to make its false charges against Laos and the United States.

There was a time, only a few months ago, when the President refused to negotiate under the threat of an ultimatum. Now, we not only negotiate under ultimatum, but in the face of open aggression against the free world.

The subjugation of Tibet is now an accomplished fact. Its remoteness and inaccessibility foreclosed its defense.

As for India, Prime Minister Nehru declines to call the attack across Indian borders an invasion. He does not seek free world assistance and we must await further action by the Government of India before planning our own course.

But in Laos the situation is different. It is a nation which can be defended. It is a nation which has asked for free world help. It is a nation whose defense is essential, geographically and psychologically, if we are to save southeast Asia from communism.

The fall of Laos would give the Communists easy access to Cambodia and Thailand across a vulnerable frontier, and it would allow them to flank South Vietnam. Should Laos fall, should the story of North Vietnam be repeated, it is probable that the free peoples of southeast Asia would become so demoralized as to make their lands impossible to defend.

And so I should like briefly to review the situation there and suggest a course of action for our country.

Laos is a small nation with about two million inhabitants. Its borders were created by the Geneva truce of 1954 by which French Indochina was divided between the Communists and the free world. The Communist half bears the name North Vietnam. The free half was in turn subdivided into the states of Laos, South Vietnam and Cambodia.

The United States did not sign the Geneva accord which divided French Indochina, presumably because of Secretary Dulles' conviction that this agreement represented appeasement to communism.

Having neither the courage for armed intervention against the Communists in Indochina nor the honesty to openly acquiesce in appeasement, our Government,

Comparison of estimates with action taken on independent offices appropriation bill, 1960

TITLE I—INDEPENDENT OFFICES

Item	Appropriations, 1959 ¹	Budget esti- mates, 1960	House bill	Senate bill	Conference agreement
TITLE I					
EXECUTIVE OFFICE OF THE PRESIDENT					
OFFICE OF CIVIL AND DEFENSE MOBILIZATION					
Salaries and expenses.....	\$23,285,000	\$23,800,000	\$23,285,000	\$23,285,000	\$23,285,000
Federal contributions.....	0	25,000,000	10,000,000	25,000,000	10,000,000
Emergency supplies and equipment.....	20,000,000	13,900,000	6,950,000	6,950,000	6,950,000
Research and development.....	2,000,000	7,270,000	3,500,000	4,500,000	4,000,000
Total, Office of Civil and Defense Mobilization.....	45,285,000	74,970,000	43,735,000	59,735,000	44,235,000
INDEPENDENT OFFICES					
CIVIL AERONAUTICS BOARD					
Salaries and expenses.....	6,540,200	7,500,000	6,925,000	6,925,000	6,925,000
Payments to air carriers.....	54,844,500	62,618,000	57,000,000	60,000,000	58,500,000
Total, Civil Aeronautics Board.....	61,384,700	70,118,000	63,925,000	66,925,000	65,425,000
CIVIL SERVICE COMMISSION					
Salaries and expenses.....	19,787,200	20,165,000	18,800,000	19,440,000	19,120,000
Investigation of U.S. citizens for employment by international organizations.....	450,000	412,000	400,000	400,000	400,000
Annuities under special acts.....	2,570,000	2,450,000	2,450,000	2,450,000	2,450,000
Administrative expenses, employees' life insurance fund.....	(123,800)	(70,000)	(240,000)	(253,000)	(249,000)
Total, Civil Service Commission.....	22,807,200	23,027,000	21,650,000	22,290,000	21,970,000
FEDERAL AVIATION AGENCY					
Expenses.....	258,016,100	326,400,000	283,200,000	320,200,000	301,700,000
Establishment of air navigation facilities.....	158,500,000	115,000,000	131,200,000	139,700,000	135,200,000
Grants-in-aid for airports (liquidation of contract authorization).....	48,000,000	50,000,000	47,500,000	47,500,000	47,500,000
Research and development.....	297,000	63,600,000	47,100,000	50,350,000	48,725,000
Operation and maintenance, Washington National Airport.....	2,490,000	2,400,000	2,400,000	2,400,000	2,400,000
Construction and development, additional Washington Airport.....	50,000,000	0	0	0	0
Operation and maintenance of public airports, Territory of Alaska.....	1,075,650	0	0	0	0
Airways Modernization Board.....	31,500,000	0	0	0	0
Total, Federal Aviation Agency.....	549,878,750	587,400,000	511,400,000	560,150,000	535,525,000
FEDERAL COMMUNICATIONS COMMISSION					
Salaries and expenses.....	9,781,100	11,000,000	10,400,000	10,700,000	10,550,000
FEDERAL POWER COMMISSION					
Salaries and expenses.....	6,932,500	7,425,000	7,062,000	7,374,000	7,218,000
FEDERAL TRADE COMMISSION					
Salaries and expenses.....	6,488,000	6,975,000	6,745,000	6,935,000	6,840,000
GENERAL ACCOUNTING OFFICE					
Salaries and expenses.....	39,020,500	41,869,000	41,800,000	41,800,000	41,800,000
GENERAL SERVICES ADMINISTRATION					
Operating expenses, Public Buildings Service.....	145,818,900	155,100,000	148,150,000	153,150,000	151,000,000
Repair and improvement, federally owned buildings.....	75,000,000	60,000,000	60,000,000	60,000,000	60,000,000
Payments, public buildings purchase contracts.....	310,900	1,675,000	1,675,000	1,675,000	1,675,000
Sites and expenses, public buildings projects.....	39,915,000	0	25,000,000	25,000,000	25,000,000
Construction, public buildings projects.....	152,810,000	0	0	0	0
Construction, Federal Office Building No. 6, Washington, D.C.....	14,000,000	0	0	0	0
Construction, United States Court of Claims and Federal Office Building, Washington, D.C.....	1,200,000	0	0	0	0
Construction, United States Mission Building, New York, N.Y.....	3,750,000	0	0	0	0
Construction, public buildings.....	323,000	0	0	0	0
Hospital facilities in the District of Columbia.....	1,020,000	0	0	0	0
Operating expenses, Federal Supply Service.....	3,715,690	3,970,000	3,770,000	3,970,000	3,770,000
Expenses, supply distribution.....	20,507,000	22,000,000	21,150,000	21,550,000	21,450,000
General supply fund.....	21,250,000	0	0	0	0
Operating expenses, National Archives and Records Service.....	8,082,500	9,300,000	9,176,800	9,176,800	9,176,800
Operating expenses, Transportation and Public Utilities Service.....	1,995,800	2,029,000	2,000,000	2,000,000	2,000,000
Strategic and critical materials.....	3,000,000	0	(4)	(4)	(4)
Salaries and expenses, Office of Administration.....	372,240	225,000	225,000	225,000	225,000
Allowances and office facilities for former Presidents.....	0	200,000	200,000	200,000	200,000
Refunds under Renegotiation Act.....	1,400,000	0	0	0	0
Administrative operations fund (limitation).....	(12,366,900)	(15,000,000)	(12,500,000)	(13,000,000)	(12,750,000)
Total, General Services Administration.....	494,471,090	254,499,000	271,346,800	276,946,800	274,496,800
HOUSING AND HOME FINANCE AGENCY					
Office of the Administrator:					
Salaries and expenses.....	8,684,000	10,025,000	8,702,000	9,402,000	9,052,000
Urban planning grants.....	3,250,000	975,000	975,000	975,000	975,000
Capital grants for slum clearance and urban renewal.....	50,000,000	100,000,000	90,000,000	90,000,000	90,000,000
Reserve of planned public works (payment to revolving fund).....	7,000,000	7,000,000	6,000,000	6,000,000	6,000,000
Total, Office of the Administrator.....	68,934,000	118,000,000	105,677,000	106,377,000	106,027,000
Public Housing Administration:					
Annual contributions.....	107,500,000	124,000,000	120,000,000	120,000,000	120,000,000
Administrative expenses.....	12,574,000	13,000,000	12,660,000	13,000,000	12,830,000
Total, Public Housing Administration.....	120,074,000	137,000,000	132,660,000	133,000,000	132,830,000
Total, Housing and Home Finance Agency.....	189,008,000	255,000,000	238,337,000	239,377,000	238,857,000
INTERSTATE COMMERCE COMMISSION					
Salaries and expenses.....	18,747,800	20,150,000	19,400,000	19,900,000	19,650,000

Footnotes at end of table.

Comparison of estimates with action taken on independent offices appropriation bill, 1960—Continued

TITLE I—INDEPENDENT OFFICES

Item	Appropriations, 1959 ¹	Budget esti- mates, 1960	House bill	Senate bill	Conference agreement
TITLE I—Continued					
INDEPENDENT OFFICES—Continued					
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION					
Salaries and expenses.....	\$86,286,300	(²)			
Research and development.....	50,000,000	(²)			
Construction and equipment.....	48,000,000	(²)			
Total, National Aeronautics and Space Administration.....	184,286,300	0			
NATIONAL CAPITAL HOUSING AUTHORITY					
Operation and maintenance of properties.....	38,000	\$45,000	\$40,000	\$40,000	\$40,000
NATIONAL SCIENCE FOUNDATION					
Salaries and expenses.....	134,000,000	160,300,000	143,273,000	160,300,000	152,773,000
International Geophysical Year.....	2,500,000	0			
Total, National Science Foundation.....	136,500,000	160,300,000	143,273,000	160,300,000	152,773,000
RENEGOTIATION BOARD					
Salaries and expenses.....	3,025,500	3,000,000	2,700,000	3,000,000	2,850,000
SECURITIES AND EXCHANGE COMMISSION					
Salaries and expenses.....	7,705,000	8,275,000	7,800,000	8,275,000	8,100,000
SELECTIVE SERVICE SYSTEM					
Salaries and expenses.....	29,556,800	30,650,000	29,000,000	29,556,800	29,278,400
VETERANS' ADMINISTRATION					
General operating expenses.....	164,680,000	163,373,000	163,373,000	163,373,000	163,373,000
Medical administration and miscellaneous operating expenses.....	26,726,300	23,005,000	27,349,000	31,349,000	29,349,000
Inpatient care.....	769,318,000	786,779,000	792,079,000	792,079,000	792,079,000
Outpatient care.....	82,333,000	83,866,000	83,866,000	83,866,000	83,866,000
Maintenance and operation of supply depots.....	2,201,700	2,303,000	2,218,000	2,218,000	2,218,000
Compensation and pensions.....	3,252,500,000	3,307,000,000	3,300,000,000	3,300,000,000	3,300,000,000
Readjustment benefits.....	700,000,000	588,000,000	585,000,000	585,000,000	585,000,000
Veterans insurance and indemnities.....	51,100,000	53,000,000	53,000,000	53,000,000	53,000,000
Grants to the Republic of the Philippines.....	1,250,000	2,000,000	2,000,000	2,000,000	2,000,000
Construction of hospital and domiciliary facilities.....	19,295,000	20,159,000	30,159,000	33,159,000	31,659,000
Soldiers' and sailors' civil relief.....	1,300,000	0			
Total, Veterans' Administration.....	5,070,704,000	5,029,485,000	5,039,044,000	5,046,044,000	5,042,544,000
Total, title I.....	9,875,620,240	6,584,188,000	6,457,657,800	6,559,348,600	6,502,152,200

¹ Includes funds contained in the Second Supplemental, 1959 (Public Law 86-30).² And \$1,999,010 from proceeds of surplus personal property disposal.³ And \$2,230,000 from proceeds of surplus personal property disposal.⁴ Rescission of prior year funds.⁵ Being considered on supplemental appropriation bill, 1960 (H.R. 7978).

TITLE II—CORPORATIONS—ADMINISTRATIVE EXPENSES

[Limitations on amounts of corporate funds to be expended]

Corporation or agency	Authorizations, 1959 ¹	Budget esti- mates, 1960	House bill	Senate bill	Conference agreement
Federal Home Loan Bank Board.....	\$1,699,000	\$1,900,000	\$1,800,000	\$1,800,000	\$1,800,000
Federal Savings and Loan Insurance Corporation.....	750,600	800,000	775,000	775,000	775,000
General Services Administration:					
Abae fiber program.....	51,950	52,500	47,000	47,000	47,000
Federal Facilities Corporation.....	26,620	24,000	20,000	20,000	20,000
Reconstruction Finance Corporation liquidation fund.....	53,960	44,000	40,000	40,000	40,000
Housing and Home Finance Agency:					
College housing loans.....	1,718,200	1,780,000	1,723,000	1,723,000	1,723,000
Public facility loans.....	434,200	550,000	500,000	550,000	525,000
Revolving fund (liquidating programs).....	650,900	755,000	653,000	755,000	653,000
Federal National Mortgage Association.....	4,885,000	6,100,000	6,050,000	6,050,000	6,050,000
Federal Housing Administration.....	7,841,500	8,200,000	8,100,000	8,100,000	8,100,000
Public Housing Administration.....	12,574,000	13,000,000	12,660,000	13,000,000	12,830,000
Total, administrative expenses.....	30,685,930	33,205,500	32,368,000	32,860,000	32,563,000

¹ Includes funds contained in the Second Supplemental, 1959. (Public Law 86-30).

JUVENILE DELINQUENCY

Mr. KEATING. Mr. President, yesterday in connection with remarks which I made on the subject of juvenile delinquency, I ask unanimous consent that certain extraneous matter, including editorials and other material, be printed with my remarks in the permanent RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

FEDERAL-AID HIGHWAY ACT OF 1959

The Senate resumed the consideration of the bill (H.R. 8678) to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

Mr. JOHNSON of Texas. Mr. President, the Senator from Tennessee [Mr. GORE] has an amendment at the desk. I ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. It is proposed to strike out title II of the bill and in lieu thereof, insert the following:

TITLE II—HIGHWAY TRUST FUND AND INTERNAL REVENUE CODE AMENDMENTS AND RESCISSION OF APPROPRIATIONS

SEC. 201. Transfers to highway trust fund.

(a) TRANSFERS.—Section 209(c) of the Highway Revenue Act of 1956 (relating to

transfer to Highway Trust Fund of amounts equivalent to certain taxes) is amended by renumbering paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

"(2) EXCISE TAX ON PASSENGER AUTOMOBILES, ETC.—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to—

"(A) that portion of the taxes received in the Treasury after June 30, 1959, and before July 1, 1960, under section 4061(a)(2) of the Internal Revenue Code of 1954 (tax on passenger automobiles, etc.) which is equal to the amount which would have been so received if the tax rate under such section had been 4 percent in lieu of the applicable rate; and

"(B) that portion of the taxes received in the Treasury after June 30, 1960, and before July 1, 1964, under section 4061(a)(2) of the Internal Revenue Code of 1954 (tax on passenger automobiles, etc.) which is equal to the amount which would have been so received if the tax rate under such section had been 6 percent in lieu of the applicable rate."

(b) CLERICAL AMENDMENT.—Paragraph (4) (as renumbered by subsection (a)) of such section 209(c) is amended by striking out "paragraphs (1) and (2)" each place it appears and inserting in lieu thereof "paragraphs (1), (2), and (3)".

SEC. 202. Rescission of 1 percent of certain appropriations for 1960 fiscal year.

(a) RESCISSION.—Except as provided in subsection (b), an amount equal to 1 percent of each appropriation made from the general fund of the Treasury for the fiscal year ending June 30, 1960, by each Act of Congress enacted during the first session of the Eighty-sixth Congress which makes regular or supplemental appropriations for such fiscal year is hereby rescinded.

(b) EXCEPTIONS.—Subsection (a) shall not apply to any appropriation made for any of the following purposes to the extent that the President determines that the amount of such appropriation cannot be reduced by 1 percent:

- (1) compensation and pensions payable under the laws administered by the Veterans' Administration,
- (2) refund of overpayments of taxes, custom duties, and other amounts paid to the United States,
- (3) interest on the public debt, and
- (4) any other obligation of the United States the fulfillment of which is both authorized and directed by Act of Congress.

SEC. 203. Repeal of credit against income tax for dividends received by individuals.

(a) REPEAL OF SECTION 34.—Effective with respect to taxable years beginning after December 31, 1958, section 34 of the Internal Revenue Code of 1954 (relating to credit for dividends received by individuals) is repealed.

(b) TECHNICAL AMENDMENTS.—

(1) The table of sections for part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 is amended by striking out

"Sec. 34. Dividends received by individuals."

(2) Section 35(b)(1) of such Code is amended by striking out "the sum of the credits allowable under sections 33 and 34" and inserting in lieu thereof "the credit allowable under section 33".

(3) Section 37(a) of such Code is amended by striking out "section 34 (relating to credit for dividends received by individuals)".

(4) Section 584(c)(2) of such Code is amended by striking out "section 34 or".

(5) Section 642(a) of such Code is amended by striking out the first sentence, and by striking out "section 34 and" in the second sentence.

(6) Section 702(a)(5) of such Code is amended by striking out "a credit under section 34".

(7) Section 854(a) of such Code is amended by striking out "section 34(a) (relating to credit for dividends received by individuals)".

(8) Section 854(b) of such Code is amended by striking out "the credit under section 34(a)," in paragraph (1) and by striking out "the credit under section 34," in paragraph (2).

(9) Section 1375(b) of such Code is amended by striking out "section 34, section 37, or section 116" and inserting in lieu thereof "section 37 or 116".

(10) Section 6014(a) of such Code is amended by striking out "34 or".

(c) EFFECTIVE DATE.—The amendments made by subsection (b) shall apply only with respect to taxable years beginning after December 31, 1958.

Mr. JOHNSON of Texas. Mr. President, I understand that the Senator from Tennessee is temporarily detained but will be here momentarily. He is very desirous that all Senators who can possibly be present be here while the amendment is being considered. I ask the aids of the minority and majority parties to please telephone Senators that a very important amendment is being considered.

The Senator from Tennessee has informed me that he expects a number of questions to be asked, and that his presentation will be as brief as possible, perhaps 25 or 30 minutes.

Mr. President, I hope we may have order in the Chamber, so that all Senators may hear the discussion, because we expect to have a yeas-and-nays vote on the amendment. While there is a good attendance of Senators now, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

The PRESIDING OFFICER (Mr. CANNON in the chair). The question is on agreeing to the amendment of the Senator from Tennessee, as called up by the Senator from Texas.

Mr. JOHNSON of Texas. Mr. President, I yield to the Senator from Tennessee, so he may proceed with the statement he desired to make.

Mr. GORE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Tennessee will state it.

Mr. GORE. Is the amendment now before the Senate the one identified by the letter "D"?

The PRESIDING OFFICER. The pending amendment is identified by the letter "C".

Mr. GORE. Mr. President, I withdraw that amendment, and call up my amendment "D", and ask that it be stated.

The PRESIDING OFFICER. Inasmuch as the yeas and nays have been ordered on the question of agreeing to the amendment "C", the Senator from Tennessee will have to obtain unanimous consent before he can have the amendment withdrawn.

Mr. GORE. Mr. President, inasmuch as, by error, the wrong amendment was called up, I ask unanimous consent that I may withdraw that amendment at

this time, and may call up my amendment D.

The PRESIDING OFFICER. Is there objection?

Mr. JAVITS. Mr. President, reserving the right to object—although of course I shall not object—I wish to propound a parliamentary inquiry of the Chair, if the Senator from Tennessee will be so kind as to permit me to do so: Has any time limitation in regard to consideration of the amendment or the bill been entered into?

The PRESIDING OFFICER. No.

Mr. JAVITS. I thank the Chair.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Tennessee? Without objection, it is so ordered; and the amendment is withdrawn.

Mr. GORE. I ask unanimous consent that the names of Senators LONG of Louisiana, MCCARTHY, and MONRONEY may be added as additional cosponsors of my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. President, I now call up my amendment identified as "D."

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. It is proposed to strike out title II of the bill, and in lieu thereof insert the following:

TITLE II—HIGHWAY TRUST FUND AND INTERNAL REVENUE AMENDMENTS

SEC. 201. Transfers to highway trust fund.

(a) Transfers.—Section 209 (c) of the Highway Revenue Act of 1956 (relating to transfer to Highway Trust Fund of amounts equivalent to certain taxes) is amended by renumbering paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

"(2) EXCISE TAX ON PASSENGER AUTOMOBILES, ETC.—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to—

"(A) that portion of the taxes received in the Treasury after June 30, 1959, and before July 1, 1960, under section 4061(a)(2) of the Internal Revenue Code of 1954 (tax on passenger automobiles, etc.) which is equal to the amount which would have been so received if the tax rate under such section had been 4 percent in lieu of the applicable rate; and

"(B) that portion of the taxes received in the Treasury after June 30, 1960, and before July 1, 1964, under section 4061(a)(2) of the Internal Revenue Code of 1954 (tax on passenger automobiles, etc.) which is equal to the amount which would have been so received if the tax rate under such section had been 6 percent in lieu of the applicable rate."

(b) CLERICAL AMENDMENT.—Paragraph (4) (as renumbered by subsection (a)) of such section 209(c) is amended by striking out "paragraphs (1) and (2)" each place it appears and inserting in lieu thereof "paragraphs (1), (2), and (3)".

SEC. 202. Repeal of credit against income tax for dividends received by individuals.

(a) REPEAL OF SECTION 34.—Effective with respect to taxable years beginning after December 31, 1958, section 34 of the Internal Revenue Code of 1954 (relating to credit for dividends received by individuals) is repealed.

(b) TECHNICAL AMENDMENTS.—

(1) The table of sections for part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 is amended by striking out "Sec. 34. Dividends received by individuals."

(2) Section 35(b)(1) of such Code is amended by striking out "the sum of the credits allowable under sections 33 and 34" and inserting in lieu thereof "the credit allowable under section 33".

(3) Section 37(a) of such Code is amended by striking out "section 34 (relating to credit for dividends received by individuals)".

(4) Section 584(c)(2) of such Code is amended by striking out "section 34 or".

(5) Section 642(a) of such Code is amended by striking out the first sentence, and by striking out "section 34 and" in the second sentence.

(6) Section 702(a)(5) of such Code is amended by striking out "a credit under section 34".

(7) Section 854(a) of such Code is amended by striking out "section 34(a) (relating to credit for dividends received by individuals)".

(8) Section 854(b) of such Code is amended by striking out "the credit under section 34(a)," in paragraph (1) and by striking out "the credit under section 34," in paragraph (2).

(9) Section 1375(b) of such Code is amended by striking out "section 34, section 37, or section 116" and inserting in lieu thereof "section 37 or 116".

(10) Section 6014(a) of such Code is amended by striking out "34 or".

(c) **EFFECTIVE DATE.**—The amendments made by subsection (b) shall apply only with respect to taxable years beginning after December 31, 1958.

Mr. GORE. Mr. President, on the question of agreeing to this amendment, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

The yeas and nays were ordered.

Mr. GORE. Mr. President, my discussion of the highway program and the amendment which I have offered—and I offer it on behalf of myself and the junior Senator from Minnesota [Mr. McCARTHY]—will be brief.

To begin with, there is no disagreement between the members of either the Finance Committee or the Public Works Committee in regard to continuation of the highway program. It is agreed that the highway program must be continued.

I desire to point out that the difference or the issue presented by this amendment is divisible into two parts: first, the source from which, and the manner by which, additional revenue will be raised; and, second, the dedication to the highway trust fund of an amount sufficient to prevent a default in the fund within the present fiscal year.

Mr. President, there is a third question with which the Senate will need to deal, and it relates to apportionments for future years.

The amendment I have proposed is offered as a substitute for title II. It provides two things:

First, the amendment substitutes a repeal of the credit on dividends for a levy—as provided in the House version of the bill—of an additional 1 cent a gallon on every gallon of gasoline bought by every man, woman, and child in the United States. It also provides that four percentage points of the excise tax on automobiles shall be dedicated to the

highway trust fund in fiscal 1960 and dedication of six percentage points of that tax for fiscal 1961, 1962, 1963, and 1964.

According to estimates made by the Treasury Department, the repeal of the dividend credit will yield to the general fund of the Treasury revenue in the amount of \$335 million per year. The revenue from the additional 1-cent tax on gasoline, to begin October 1—as provided in the bill now before the Senate—would yield, according to estimates, \$333 million this fiscal year.

So the yield to the Treasury—the additional revenue resulting from the bill before the committee or that resulting from the amendment I have submitted, on behalf of myself and the Senator from Minnesota [Mr. McCARTHY]—will be approximately the same; the difference between the two will, according to the estimates, be only \$2 million.

So the Senate has a choice between providing for \$335 million of revenue, through repeal of the tax favoritism given to income received from dividends, on the one hand; or the levying of an additional 1 cent a gallon Federal sales tax on each gallon of gasoline, on the other hand.

I think that Members of the Senate question the equitableness of the proposed levy. Gasoline is a necessity and an essential commodity. Nearly every person in America—or, at least, an overwhelming proportion of the people in America—find it necessary to use gasoline. A sales tax on gasoline bears equally upon those who are able to pay and those who are not able to pay; it is no respecter whatever of ability to pay.

If this were the only tax upon this essential commodity, perhaps we could overlook it. But, Mr. President, I call attention to the fact that gasoline already bears a heavier tax than does any other essential commodity. For instance, in my State, the combination of State taxes and Federal taxes on gasoline approximates the refinery cost of gasoline. Where is there another essential commodity on which a 100 percent tax is already levied? Indeed, one must search far and near to find even a luxury commodity which bears the heavy burden of taxation that gasoline bears. I can think of only two which may be so heavily taxed; they are liquor and tobacco.

Mr. RANDOLPH. Mr. President, will the Senator from Tennessee yield to me at this time?

Mr. GORE. I yield.

Mr. RANDOLPH. I think it important, during this debate, to indicate that the American people are not so much interested in the purchase of small automobiles because of the fact that they are small as they are interested in purchasing such cars—and today they are purchasing them by the tens of thousands—of foreign manufacture, and, more recently, of American manufacture, because of the decreased consumption of gasoline in small automobiles. Tires on a replacement basis bring an additional saving.

I repeat that it is not because Americans are so much interested in smaller

automobiles versus larger automobiles; the car size interests them not so much as does the amount of gasoline the automobile engines they purchase consume. Motorists are finding that the average annual use, for business and recreational purposes, of the small type of automobiles I have mentioned actually saves—because of the decreased fuel consumption—each motorist using such an automobile approximately \$200 annually.

The presentation of this subject by the well informed Senator from Tennessee, is of utmost importance.

Mr. GORE. Mr. President, I appreciate very much the contribution the Senator from West Virginia has made. He has stated a point of view which had not occurred to me.

Another point of view which has not been brought to the attention of the Senate, insofar as I am aware, is that only about one-seventh of the Nation's traffic is expected to use the System of Interstate and Defense Highways; yet every person who purchases gasoline—whether he uses the interstate highways or not—and in that connection I refer to the people in Alaska and the people in Hawaii—will be required to pay this additional tax. It is a very inequitable levy—inequitable not only for those reasons, but also because the tax on gasoline is already very heavy and quite burdensome.

It is inequitable for yet another reason: The users of our highways are already paying this year more than \$1,600 million in excess of the amount devoted to highway improvement and construction. One billion six hundred million dollars is being diverted to purposes other than highway construction.

I do not accept the theory which some persons advocate that highway users should pay the entire cost of highways. I think highways benefit the entire Nation. Indeed President Eisenhower and General Clay presented this program as necessary in the interest of national defense.

There are many segments of our economy which benefit from highways that do not pay highway user excise taxes. Let us take the situation of Miami, Fla., for example. I notice the distinguished senior Senator from Florida [Mr. HOLLAND] is doing me the honor of listening to my remarks. The resort at Miami, with hundreds of beautiful hotels, depends in large part for its patronage upon people who use the highways traveling to and from the great and beautiful resort.

What about the automobile tire manufacturers, such as Goodyear and Firestone? Are not they beneficiaries of improved highways? What about General Motors, Ford, Chrysler? Indeed, one man out of seven who works in America today, we are told, earns his living in some way from the highway transportation industry.

Why, then, must the entire cost of highways be borne by the direct users of the highways? I do not accept this thesis. But, Mr. President, if we accept it, the highway users are already paying more—far more—than the cost of highways. As I have said, \$1,600 million is

being diverted this year from highway uses to other purposes.

How much money do we need this year? We need an estimated \$493 million, according to the testimony before the committee, to meet the deficit in the highway trust fund. I am sure there will be no disagreement on that point. When do we need it? Immediately. The highway trust fund will be completely out of money on about October 1, we are told.

That is why I moved, earlier in this session, to replenish the funds in the highway trust fund. That is why we must move quickly now to do so.

Does the bill before the Senate wipe out the deficit in the highway trust fund? It does not. How much does it provide? \$333 million. And what is the deficit? \$493 million.

So, by the testimony given to the committee yesterday—and Senators will find it on their desks—even with the passage of House bill 8678, the highway trust fund would be in default \$160 million this fiscal year. Because of the seasonal peaks of construction, the deficit will be \$353 million December 31, this year, with the enactment of H.R. 8678.

So I submit that enactment of H.R. 8678 is not adequate. It will not solve the fiscal problem immediately at hand—the problem of meeting obligations already due. This will mean that the Federal Government will be in default to the States.

What does that mean to them? It means that the States will be in default upon the payment of contracts that have been performed and on which payment is due, unless, of course, the States can have special sessions of their legislatures to provide for the sale of bonds or raise funds in another manner.

Mr. President, this is a serious matter. This is a commitment. This highway program has been in operation since 1916. It has been on a matching basis, on a cooperative basis.

The Congress each 2 years has passed a bill providing for apportionments to the respective States for highway construction, in accordance with a formula determined by law. Each State knows exactly the amount to which it is entitled. Its legislature has without doubt proceeded upon this commitment. But now we are told that these commitments cannot be honored, even with the enactment of H.R. 8678. I would that all Members of the Senate could be made aware of this fact.

How does Mr. Tallamy propose to operate the Bureau of Public Roads without honoring the apportionments made by law? He told us yesterday he would do so by contract control. I hope that Senators will read the hearings of yesterday before they vote. I hope each Senator will read the testimony, because he told us that the Federal Government would exercise control of contracts within the respective States, even though the States provide 50 percent of the cost of projects on a matching basis.

The deficit to which I refer as existing this year will be for the reimbursement to the States for contracts already entered into on which no Federal

control was exercised. These contracts were made pursuant to a law enacted by Congress and signed by the President. It is that deficit to which I refer when I refer to the deficit within the present fiscal year, which deficit will still be \$160 million after H.R. 8678 becomes law, if it does.

Therefore, I propose to dedicate to the highway trust fund a sufficient amount in the present fiscal year to meet the deficit in the fund in order that the Federal Government can honor the commitments which have been made solely by an enactment of law by the Congress and the President of the United States.

Mr. WILEY. Mr. President, will the Senator yield for a question?

Mr. GORE. I yield.

Mr. WILEY. I wish to compliment the distinguished Senator from Tennessee. He is making a very clear statement. I think I understand the Senator's amendment.

I am wondering, in view of what the Senator has shown us, whether it would be advisable not only to keep the 1 cent increase but also to repeal the credit against the income tax on stocks. That would give us the funds which are necessary, and give an overage, and I am sure the Treasury needs all taxes it can get.

I make this suggestion because these days, when there is a big national income, now close to \$400 billion, we have to reach out and get those who can afford to pay to pay.

I simply make that suggestion. I am not a member of the committee, nor have I studied the problem before. The thought occurred to me as I heard the very fine, lucid statement of the distinguished Senator.

Mr. GORE. The Senator has made a very worth while suggestion. It is not at all without merit. Were it not for the inequitableness and unfairness of levying additional taxes on gasoline, which already bears such a heavy burden, I would readily accept his suggestion. Why? Because with the passage of H.R. 8678 we shall not only fail to meet the problem this fiscal year, but the problem we have this fiscal year is comparatively mild compared to what we shall face in the next fiscal year. I remind the Senate that at the beginning of the present fiscal year the highway trust fund had a surplus of about \$500 million, whereas by the terms of H.R. 8678 we shall begin the next fiscal year with a deficit a \$160 million. So we shall be \$600 million worse off 1 year from now than we are now. There is no question that additional revenue is needed.

I do not offer my amendment as a solution to all the problems of the highway program. I offer it to accomplish two purposes: First, to dedicate a sufficient amount of the excise tax on automobiles to the highway trust fund to meet the deficit in the fund this year, secondly, to provide new revenues to the Treasury in an approximate amount which would result from the 1-cent tax on gasoline. I prefer the repeal of the dividend credit to the 1-cent additional tax on gasoline. The Senator has suggested the possibility of both.

Mr. WILEY. I appreciate the Senator's fine approach to what I believe is the real, overall problem.

Mr. GORE. I thank the Senator. As he knows, I have been involved in highway legislation. I have never approached it in any partisan way whatsoever. The program has had bipartisan support, and it must remain that way.

Mr. WILEY. We all agree that the deficit in the Treasury continues. This year we anticipate a deficit of \$2 billion or \$3 billion, I believe, if things keep on going the way they are. Much could be said in favor of the argument the Senator made in relation to not adding the 1-cent tax. But when we consider what gasoline is selling for in Britain and in other places, we realize we do not pay really half of what the British have to pay. Then when we appreciate also that the tax we collect relates to a 40-cent dollar, in value, or a 40 percent penny, we begin to realize that the tax is not very high on gasoline after all.

From the standpoint of taxing dividends, that argument we know. It is double taxation. There are many widows who depend upon the small dividends they get. But it seems to me what we must think about is the overall challenge to keep this country, if it is possible, on an even keel financially. I for one, would be very happy to adopt the suggestion of getting taxes from both sources.

I have not studied the matter, but in view of the figures the Senator has given us, which show a deficit this year and a deficit next year, it seems to me we are proposing to meet the problem only half way. By taking funds from the Treasury, if there are any funds there, that should be applied otherwise, it seems to me is "passing the buck."

Mr. GORE. The Senator speaks of taking away the gasoline tax. The Senator understands my amendment would not reduce the existing tax on gasoline.

Mr. WILEY. Oh, no.

Mr. GORE. It would merely substitute a repeal of the dividend credit for the proposed 1-cent increase.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. GORE. I wish to answer the Senator from Wisconsin [Mr. WILEY], and then I will yield to the distinguished Senator from Louisiana.

The highway bill (H.R. 8698) now before the Senate provides for a severe slowup of the program. It would reduce the authorized apportionment from the level of \$2,500 million per year on the interstate and defense system, to \$2 billion for fiscal 1961, of which only \$1,800 million could actually be apportioned. According to the tables which the Senator will find in the committee hearings, this slowup and stretchout provided in H.R. 8678 would mean that the highway system would not be completed until 1977. This would destroy the whole concept of an integrated National System of Interstate and Defense Highways completed within a generation's time, and at design standards equal to the traffic needs of 1975.

I say this bill is inadequate. It is unacceptable. It will not solve the problem

this year, next year, or in the future. It fails to meet the problem this year. It makes the problem worse next year. It provides a stretchout, which means that these highways may not be completed within the lifetimes of many Members of the U.S. Senate.

Mr. LONG of Louisiana. Will the Senator yield?

Mr. GORE. I yield to the Senator from Louisiana.

Mr. LONG of Louisiana. It seems to me we might observe what has happened taxwise in this administration.

The first thing this administration did in 1954 was to give us its rich man's tax relief bill. That started out being 375 pages long, without one line in there to help the workingman, and yet it meant about \$6 billion or \$7 billion of tax relief. We finally put on there some reduction in excise taxes, not the gasoline tax.

This particular one that the Senator wants to take away, this dividend credit, is an amendment which was adopted in the House of Representatives under a rule, and that is the only way in which this provision could have become law, and the Senator knows as well as I do that this particular provision was adopted in the House of Representatives under a closed rule, under which the House could not vote on the merits of the proposal. I am glad that I was one of those who voted against the dividend credit in the Senate at the time when the Senate voted by a majority of, I believe, about 4 to 1, and knocked this dividend credit out of the tax bill. However, the House conferees never permitted the House to vote on it. They were able to sustain their original position to keep this provision in the law. If the House had ever had a chance to vote on this proposition, they would have killed it, just as the Senate had by a 4-to-1 majority.

The administration recommended and helped to put into law this provision which helps corporation stockholders. Mr. President, it has helped the wealthy of this country. It is a completely unnecessary, unjustified tax advantage to those people.

Having given all this tax advantage to all those in higher income tax brackets, the administration has brought us two different bills, one to increase the gasoline tax, and then another one to raise it another cent.

I think the Senator will find that if his amendment wins again, the Senate will express itself that this tax advantage is not justified, and on the other hand we will put the tax back on those who are well able to pay.

If more money is needed, it seems to me the Senator suggests the obvious way to get it. Here is one place where we could get some revenue very easily, surely, and it is certainly preferable to these continual increases in the gasoline taxes.

Mr. GORE. I thank the Senator for his support. I desire to suggest again that the tax favoritism to income from dividends operates to the discrimination of the person who invests in local community improvement. If one builds a

building or a business in his hometown from which he receives personal income, he is taxed on that income at the regular rate, but the person who turns away and buys bonds or General Motors stock and receives his income from that, gets a tax advantage. If the Senate is not aware of how great that advantage becomes, I should like to point out that the persons with an income of under \$3,000 receives, on the average a credit of \$18, while a person with an income of \$1 million or more receives, on the average a credit of \$38,995.

I should like to put into the RECORD, Mr. President, a compilation that has been made which shows the amount of tax saved by this dividend tax credit device.

There being no objection, the compilation was ordered to be printed in the RECORD, as follows:

Who benefits and how much?—The dividend credit tax loophole, 1957

Adjusted gross income	Number of taxable returns filed	Returns claiming dividend credits	
		Percent of returns filed	Tax saved by credit
Under \$3,000.....	11, 543, 127	2.1	\$18
\$3,000, under \$5,000.....	14, 137, 633	3.0	27
\$5,000, under \$7,000.....	10, 078, 686	4.2	33
\$7,000, under \$10,000.....	6, 618, 334	8.2	42
\$10,000, under \$15,000.....	2, 211, 504	22.6	64
\$15,000, under \$20,000.....	543, 154	43.7	103
\$20,000, under \$25,000.....	250, 583	54.8	147
\$25,000, under \$50,000.....	366, 156	66.8	244
\$50,000, under \$100,000.....	93, 289	83.5	622
\$100,000, under \$150,000.....	14, 089	89.3	1, 528
\$150,000, under \$200,000.....	3, 986	93.7	2, 509
\$200,000, under \$500,000.....	3, 979	95.3	4, 401
\$500,000, under \$1,000,000.....	578	96.0	10, 470
\$1,000,000 or more.....	217	95.4	38, 995
Total.....	46, 865, 315	6.2	-----

Source: Statistics of Income, 1957, "Individual Income Tax Returns," U.S. Treasury, Internal Revenue Service.

Mr. LONG of Louisiana. If the Senator will yield again, one reason the administration is trying to tell us we are not responsible unless we vote to raise interest rates on the national debt, these corporation stocks are so much more attractive to these people than Government bonds, and one of the reasons is that they get this tax advantage on dividends on corporation stocks.

Mr. GORE. I think it is an unsound tax advantage or favoritism to income from dividends that cannot be justified. Some mention has been made of double taxation. That is a canard. Under the law a corporation is one person; a stockholder is another.

I do not wish to argue at length about the matter of this tax. The Senate has voted on it once already this year. As the able Senator has pointed out, the Senate has by rollcall vote with a heavy majority voted to repeal it. It has also voted with a heavy majority against the assessment of an additional tax on gasoline.

Here we have a clean, clear-cut, simple choice between two things: First, a Federal sales tax of 1 cent on every gallon of gasoline bought by every man, woman, and child in America or its possessions or, second, the repeal of this tax favoritism.

I should like to point out that neither will completely solve the highway program, either this year, next year, or in later years.

Mr. President, what I have proposed is a dedication of enough of the excise taxes on automobiles to the highway trust fund to meet the deficit in the trust fund this fiscal year and to meet the anticipated deficit in future years through 1964. I hope the Senator understands that.

Mr. CLARK. Will the Senator yield?

Mr. GORE. I yield.

Mr. CLARK. Mr. President, the Senator knows, because we have talked together, that I am very sympathetic with his point of view and that if there is any possible alternative, I wish to utilize it instead of passing this regressive tax on gasoline which I think is utterly against the interests of the ordinary American citizen.

The tax on gasoline in my State is presently 5 cents, and that is too high. The Federal tax is 3 cents and it would go up to 4 under this bill. That will make a total of 9 cents taken out of the pockets of the relatively poor as well as those of middle income and the rich and the corporations. I think that kind of regressive sales tax is a great mistake, and therefore I support the general point of view which my friend from Tennessee has indicated.

I want to ask the Senator from Tennessee if he will be kind enough to turn to his amendment and answer a couple of questions for me. As I understand it, on page 2 of his amendment "D," under the subheading "Excise Tax on Passenger Automobiles," does the Senator find that?

Mr. GORE. I have it.

Mr. CLARK. As I understand, the Senator proposes to transfer out of the general fund of the United States enough in terms of excise taxes on passenger automobiles to permit the highway program to go forward for the indefinite future at the rate contemplated when the legislation was passed. Is that correct?

Mr. GORE. I am sorry that it will not accomplish all those purposes. The transfer will approximate \$500 million this year.

Mr. CLARK. Five hundred and twenty million dollars, I believe.

Mr. GORE. Well, I am speaking in round figures. As the Senator knows, these are estimates, and we cannot speak in exact terms. I believe, as a matter of fact, that the estimate is about \$520 million. The estimate deficit is \$493 million.

Mr. CLARK. The Senator is correct.

Mr. GORE. So far as the present year is concerned, the amendment would solve our fiscal problem, and it would allow the Federal Government to honor its commitments to the States, rather than to be in default.

Mr. CLARK. That is correct.

Mr. GORE. I cannot assure the Senator from Pennsylvania, however, that that amount of money transferred to the highway trust fund will permit the highway program to continue in the future

at the full rate authorized in the schedule of apportionments in the 1958 act.

Mr. CLARK. Mr. President, will the Senator yield further?

Mr. GORE. It would be much closer, however, than would be provided by the House bill now before the Senate.

Mr. CLARK. Mr. President, will the Senator yield further?

Mr. GORE. I yield.

Mr. CLARK. The figures which I have before me, and which I understand were prepared jointly by the Senator's staff and by my staff indicate that for fiscal year 1961 the highway fund deficit would, if nothing were done, be \$816 million, whereas the Senator, as shown on page 2 of his pending amendment, would have the portion of the excise taxes which would be transferred to the highway fund increase from 4 percent to 6 percent. This would raise \$804 million, which would still permit the highway program for fiscal 1961 to go forward at the present rate, because there will be enough surplus from 1960 to more than make up the difference between \$804 million and \$816 million.

Mr. GORE. That is correct.

Mr. President, I ask unanimous consent to place a table in the RECORD at this point. This table shows the estimated amount of auto excise tax revenue which would be transferred to the highway trust fund under my amendment.

Mr. KUCHEL. Mr. President, reserving the right to object, what is the source of the figures the Senator wishes to place in the RECORD?

Mr. GORE. The table shows the amount of money which would be transferred from the general fund to the highway trust fund by the terms of the amendment which I have offered. The estimates come from the Bureau of Public Roads.

Mr. SCOTT. Mr. President, reserving the right to object—and I shall not object—can the Senator answer this question for me—

Mr. GORE. Will not the Senator permit the statement to go into the RECORD?

Mr. SCOTT. I withhold the objection. The PRESIDING OFFICER. Is there objection to the request of the Senator from Tennessee?

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Estimated receipts from auto excise tax

Fiscal year	Percent	Receipts
		<i>Millions</i>
1960.....	4	\$520
1961.....	6	804
1962.....	6	828
1963.....	6	858
1964.....	6	882
Total.....		3,892

Mr. CLARK. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. CLARK. Let me say to my good friend and colleague from Pennsylvania that I am in the midst of trying to develop what the amendment would do, and I would appreciate it if my colleague would allow me to finish.

Mr. SCOTT. I am very happy to defer to my colleague until he finishes.

Mr. CLARK. I appreciate the courtesy of my colleague.

I ask my friend from Tennessee if it is not true that, on the basis of the figures which have just been introduced into the RECORD, transfers of the excise tax on passenger automobiles, which my friend from Tennessee contemplates by his amendment, would, so far as we can now estimate, permit the highway plan to go forward at the contemplated rate for the indefinite future.

Mr. GORE. At the rate provided for this fiscal year and fiscal year 1961, it would meet the problem of the deficit existing now and the deficit which looms for next year. It would fall somewhat short of the anticipated deficit in years following if full apportionments are made as authorized.

Mr. CLARK. The table which I have before me indicates trust fund balances as a result of the transfers my friend contemplates, for all fiscal years through 1964. I ask him whether perhaps I have been misinformed.

Mr. GORE. That is true; but it would not provide sufficient funds to permit apportionment at the full levels contained in the 1958 act, for years beyond 1962, because funds apportioned for 1963 would require disbursements extending into 1965.

Mr. CLARK. Could we not agree that the transfer contemplated by my friend in his amendment D would put the highway fund in funds to continue the present program at the contemplated rate at least through the fiscal year 1962?

Mr. GORE. That is true; and perhaps beyond. But I do not wish to claim too much for it. I wish to make it emphatic to my colleagues in the Senate that the bill now before the Senate would solve none of these problems. It would leave a deficit this fiscal year of \$160 million, with which we would have to start the next fiscal year, after the Federal Government had been in default to the States to the extent of \$160 million; and the trust fund would have a deficit of perhaps \$660 million at the middle of fiscal year 1961; and still have a deficit of \$50 million at the end of fiscal year 1961.

Mr. CLARK. Mr. President, will the Senator further yield?

Mr. GORE. I yield.

Mr. CLARK. By transfers from general funds in the ordinary budget of sums sufficient to take care of the highway program through fiscal year 1962, under his amendment my friend contemplates, does he not, making up a part—but a part only—of what he takes out of the general fund by repealing the 4 percent dividend credit?

Mr. GORE. The Senator is correct. I say in all candor, as I have tried to say before, that the amendment would transfer from the general fund 4 percentage points of the tax on automobiles to the highway trust fund in the fiscal year 1960. This amounts to approximately \$520 million, to meet the estimated deficit of \$493 million.

To come to the point just made by the senior Senator from Pennsylvania, my amendment proposes to bring new reve-

nue into the general fund in the amount of \$335 million, accomplished through a repeal of the dividend tax credit; and the House bill provides new revenue in the sum of \$333 million by way of a 1 cent increase in the tax on gasoline.

Mr. CLARK. Mr. President, will the Senator further yield?

Mr. GORE. I yield.

Mr. CLARK. I am in complete accord with the Senator's objective. I am against the 1-cent increase in the tax on gasoline, except as a last resort. I am in favor of transferring to the highway fund enough money to permit the highway program to go forward as contemplated; but I am strongly opposed to not refurbishing the general fund by closing other tax loopholes which will make it possible for us, on this side of the aisle, to show that we are putting back into the Treasury not only what we take out for the highway fund, but a little more, to help balance the budget for 1960, 1961, and 1962.

So I say to my good friend from Tennessee that I will wholeheartedly support his amendment; and if it is adopted, I will support the amendment which my good friend from Minnesota is prepared to offer as soon as the amendment of the Senator from Tennessee is disposed of. That would impose a tax at the source on dividends, just as we have taxation at the source on wages.

That would come closer to filling the gap. Therefore I shall myself offer loophole closings which will impose a tax at the source on interest, which would more than equal the revenue transferred to the highway trust fund and follow that with the gift-entertainment-dues-expense account stiffening amendment. We would end up by putting back into the general fund several hundred million dollars more than we take out.

Mr. GORE. I thank the Senator. I shall listen with interest to the discussion of the amendment he proposes to offer later.

I wish to invite attention to the amendment now before the Senate, which would meet the fiscal problem of the highway trust fund this year, and without which, I warn each Member of this body, the Federal Government will be in default to the States, and the States will either be in default with respect to contracts performed, upon which payment is due, or the legislatures will have to meet to provide funds, unless they can be provided from some other source to avoid default.

Mr. SCOTT. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. SCOTT. Will the Senator answer this question: Why is it unfair that those who use the highways should pay for the use of the highways?

Mr. GORE. I do not believe I have said that it was entirely unfair. I believe they should bear a heavy portion of the cost, but I do not believe they should bear the entire cost, because there are so many other interests which benefit, including national defense, automobile companies, tire companies, and other industries which depend upon highway transportation. However, even if we accept the thesis which the able

Senator advocates, the highway users are already paying far more than enough. One billion, six hundred million dollars in revenue from highway user taxes is being diverted to purposes other than the highways this year.

Mr. SCOTT. I wonder why the Senator from Tennessee and also my senior colleague from Pennsylvania [Mr. CLARK] are trying to find some other way, some other tax, or loophole, to pay for the highway system without facing the basic problem, which is that if the people of the United States want certain benefits, they ought to know that those benefits cost money. They ought to be aware that if they are extracting from the Federal Treasury all kinds of benefits, assistance, assurances, gifts, grants, and donations, those things have to be paid for. If those who use the highways desire, as we all do, better highways, safer highways, more elaborate highways, and more automobiles on the highways, what is wrong, I again ask, why not say: "You should be aware that you must pay for what you use?" That was a good American tradition for a long time. What is wrong with it now?

Mr. GORE. I know that it has not been possible for the junior Senator from Pennsylvania to hear all the remarks of the junior Senator from Tennessee. Therefore, I doubt that the Senator understands fully the amendment which I propose. I have proposed to do just that. I propose to bring into the Treasury—

Mr. SCOTT. I cannot agree that the amendment does that.

Mr. GORE. I propose to bring into the Treasury the same amount of revenue which the House bill proposes, but I propose to do it in a more equitable way. I propose to do it by closing a tax loophole, rather than by levying a heavier sales tax on this essential commodity. I think I have answered the Senator.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. PASTORE. I merely wish to make a slight observation, preparatory to asking a question. It certainly would not shock the sensitivities of the junior Senator from Rhode Island to vote to repeal the credit against dividend income. I have done it twice before. But I simply do not see the compatibility. While I understand the objective of trying to raise money in order to fill a gap which is created by appropriating money from the general fund in order to continue the accelerated Federal-aid highway program, why would it not be better, since we are trying to close tax loopholes, in order to pick up the money which is necessary, if the money is to be appropriated from the general Treasury—

Mr. GORE. The Senator understands that the additional revenue from repeal of the dividend tax credit would go into the general fund, does he not?

Mr. PASTORE. I realize that.

Mr. GORE. And that 4 percentage points of the automobile tax is dedicated to the highway trust fund.

Mr. PASTORE. I realize that. But why do we not look to greener pastures?

Why do we not look to the repeal of the oil depletion allowance of 27½ percent? Why do we not consider closing a loophole which is a real loophole, one which is almost as big as a hole which would be created by the dropping of a hydrogen bomb? If we are to be guided by relativity and compatibility it seems to me that we stand face to face with this source—the oil depletion allowance.

Mr. GORE. I have voted affirmatively upon amendments seeking to reduce the deduction for oil depletion. I seek here not to solve all the inequities in the tax laws, but to prevent an additional inequity from being enacted by substituting therefor repeal of one of the inequities, as I regard it, which would bring in approximately the same amount of money.

Mr. PASTORE. I realize that. I applaud the Senator from Tennessee for it. But on the scope of compatibility, we are allowing the oil industry to get away with a 27½ percent depletion allowance. I do not know what the historic background for it may have been, but today, when everyone is forced to pay high taxes, why should the oil people, get a 27½ percent depletion allowance on oil production? Why should we not fill in that gap and take the money which is coming out of oil and use it to build highways, so that more people can buy more gasoline? And the profit circle would bring back much of the sacrificed bonus of the depreciation allowance we take away.

Mr. GORE. The Senator from Rhode Island convinces me all the more that so long as so many tax loopholes exist, it is utterly unfair to solve all our tax problems by levying heavier and heavier Federal sales taxes.

Mr. PASTORE. But does not the Senator think that it would sit better with the American people if we concentrated on gasoline and oil? The 27½ percent oil depletion allowance is very fertile ground. Perhaps it is time to cut that allowance down. We could spend part of those billions to build the best roads in America—expanding this great income source of the oil industry.

Mr. GORE. I must acknowledge that if that loophole were closed, it would bring in revenue far in excess of the 1 cent tax on gasoline.

Mr. PASTORE. Why are we afraid to do it?

Mr. GORE. I am not. Is the Senator from Rhode Island?

Mr. PASTORE. I think the Senator from Tennessee ought to amend his amendment. Then I could vote for it.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. LONG of Louisiana. I hope the Senator from Tennessee will not let his amendment be defeated by being led astray and accepting the proposal made by the Senator from Rhode Island. The reason why it will not be possible to finance the highway construction by cutting the 27½ percent oil depletion allowance is that there are not enough votes in the Senate to do it. It is just that simple.

What the Senator is trying to do is to take away a tax advantage which the

Senate has repeatedly expressed itself as being opposed to, but which the House will vote to take away if the House ever gets a chance to vote on it.

I urge the Senator from Tennessee not to let himself be led astray. When the oil depletion tax matter came to a vote in the Senate some time ago, it was defeated overwhelmingly.

The Senator has an amendment which I believe might be agreed to. I point out these figures: Highway users are paying \$3,885 million a year right now in excise taxes on gasoline, lubricating oil, passenger cars, trucks, buses, automobile parts, tires, tubes, rubber, and diesel fuel. The total comes to almost \$4 billion.

Mr. GORE. In addition to the payment of those taxes, the highway users pay every other tax which everyone else pays. They pay excise taxes; they pay income taxes.

I appreciate the fact that there are a number of inequities in the tax laws. I submit that we have before us in H.R. 8678 a proposal to levy an additional inequity. Gasoline is an essential commodity which every person must use, and it is already bearing a higher tax than any other necessity in America. Yet it is proposed to levy an additional Federal sales tax upon every gallon of gasoline.

As the senior Senator from West Virginia [Mr. RANDOLPH] pointed out, the principal reason why so many Americans are buying small foreign cars is that such cars consume less gasoline. Do not think that the price of gasoline is not a matter of concern to the American people.

Only the other day, I walked out of my abode and engaged a taxicab to come to the Senate Office Building. I do not recall that I had ever seen the driver of that taxicab. For some reason, he recognized me as being the junior Senator from Tennessee. He pulled off to the right side of the street, turned around, and with enthusiasm said, "I thank you for fighting this increase in the gasoline tax. With this car, I make a living for myself, my wife, and my three children. I am already paying about \$300 in gasoline taxes a year. If that tax is raised any more, it will reduce my standard of living. It will increase my cost of living."

I point out, incidentally, that that man does not use the interstate highways at all in his business, as most people do not.

Mr. SCOTT. Mr. President, will the Senator yield?

Mr. GORE. I promised to yield first to the junior Senator from Oklahoma.

Mr. MONRONEY. Mr. President, I am in complete accord with and support the amendment of the junior Senator from Tennessee. I agree wholeheartedly that the proposed tax is a super sales tax. I had occasion to have some research done this morning in the U.S. statistical book. The combined State and Federal taxes on gasoline, on the national average, today total \$63.92. The 1-cent a gallon increase advocated by the administration will add another 10 percent to that amount. That will put the total average of gasoline tax above \$70 a year for the average automobile user. It does not include the

taxicab driver, who makes his living by driving his cab. It includes the wage earner who has bought a house with a GI or an FHA loan, a house which is 15 or 20 miles from his place of work. Such a person's cost of transportation is as essential a part of his cost of living as the bread, butter, and milk he buys for his children, because otherwise he cannot earn his income.

Mr. GORE. This is a regressive tax. It is completely unfair, as I have pointed out. It levies an additional tax burden on a necessity which already bears the heaviest tax of any essential commodity.

Mr. MONRONEY. Let me further illustrate the impact: When this tax reaches \$70 per automobile, it will be the equivalent of a 2 percent sales tax on \$3,500 a year, which is more than the annual income the average man has. Yet the tax now proposed would bring the total tax to \$70 a year, which would be the same as the total sales tax, at the rate of 2 percent, which the average wage earner pays on all the other things he purchases in a year. No commodities, except liquor, are taxed as heavily as are gasoline and oil.

Mr. GORE. And all luxuries are taxed at a lower rate than the tax on this essential commodity—gasoline.

Mr. MONRONEY. One who purchases diamond rings, platinum watches, or strings of pearls is required to pay a maximum tax of 10 percent, I believe, regardless of just what luxury he may purchase. But, today, the average State gasoline tax is 6 cents a gallon, and it is now proposed to increase the Federal gasoline tax to 4 cents a gallon—which will make a total tax of 10 cents a gallon, which amounts to more than a 33⅓-cent tax on gasoline.

Mr. GORE. On the basis of the retail price.

Mr. MONRONEY. Yes, on the basis of the retail level price. On the basis of the price at the refinery, that total tax amounts to a tax of approximately 100 percent.

Mr. GORE. That will depend on the State involved. In many States, the State tax is 7 cents a gallon, and the Federal tax is 3 cents a gallon; and I am told that the refinery cost of gasoline is approximately 10 cents a gallon. So, in that event, the total tax on gasoline is approximately 100 percent of its cost at the refinery.

Where is there another commodity which is taxed so heavily?

Mr. MONRONEY. Mr. President, will the Senator from Tennessee yield further to me?

Mr. GORE. I yield.

Mr. MONRONEY. This morning, I was amazed to realize the sleight-of-hand trick accomplished by transferring the cost of the ABC program—the cost of the normal State highway program, for which the Federal Government contributes on a 50-50 basis—from the general revenue fund to the highway trust fund; but the revenue from the ABC program—in other words, from the tax on automobiles, and so forth—was not transferred to the highway trust fund.

So we find that those expenses were charged to the highway trust fund; but none of the income from the automobile excise tax, the tax on lubricating oil, and so forth, was transferred to the highway trust fund.

Yet the Federal Government has had, since 1934, a law which prohibits the States from spending the highway users' tax on things other than highways; and if that law is violated, the State's allocation is reduced to one-third.

Mr. GORE. The Senator from Oklahoma is now referring to the Hayden-Cartwright Act, is he not?

Mr. MONRONEY. That is correct; and it has been on the statute books since 1934.

Mr. GORE. By means of that policy, that requirement is made of the States; but the Federal Government does not proceed to do likewise. Will the Senator from Oklahoma refer to that policy again?

Mr. MONRONEY. That law has been in force since 1934. It requires the States to spend on highway uses the revenue they obtain from their highway users' tax—in other words, the tax revenue from automobile licenses, the tax on automobile tires, the State gasoline tax, and other items spelled out in the law. Yet the Federal Government—which make that requirement of the States—has not only preempted this field, now, for general taxation, while moving \$800 million of expenses out of the revenue fund and into the highway trust fund, but has not increased the revenue going into the highway trust fund.

I understand this is what the Senator from Tennessee is trying to correct. He is trying to move into the highway trust fund, not all of that tax revenue, although the Federal Government requires the States to do that, but only 40 percent of the excise tax on automobiles.

Mr. GORE. Yes, the tax on automobiles only.

Mr. MONRONEY. And that will leave more than \$1 billion of the highway users' tax to go into the general fund.

Mr. GORE. Approximately \$1,100 million.

Mr. MONRONEY. And the Senator from Tennessee would go even further, because he proposes a much needed correction in that connection; he is attempting to close the tax loophole by means of the 4 percent dividend credit. He proposes that that be replaced with the revenue which his proposal would transfer. It not that correct?

Mr. GORE. That is correct.

Mr. President, the junior Senator from Pennsylvania [Mr. Scott] raised the question of highway user taxes. I wish to point out that in the 1956 Act, the Congress increased the gasoline tax from 2 cents a gallon to 3 cents a gallon; increased the tax on diesel fuel from 2 cents a gallon to 3 cents a gallon; increased the tax on automobile tires from 5 cents to 8 cents per pound; imposed a tax of 3 cents per pound on tread rubber—which had not previously been taxed; increased the excise tax on trucks, buses, and trailers from 8 percent to 10 percent, for 1957, and from 5 percent

to 10 percent from 1958 to 1972; and a new truck use tax was levied at \$1.50 a thousand pounds.

Those additional taxes were levied in 1956. Those taxes were levied or increased by the Congress to pay for the highway program. But highway user taxes are being diverted to other uses.

I also wish to point out to my friend, the Senator from Oklahoma, and to my other fellow Senators, that the choice presented by means of my amendment is not simply between levying an additional 1 cent tax on every gallon of gasoline or repealing the dividend credit; the choice is also between having the Federal Government in default to the States to the extent of \$160 million, this year, or being able to meet its obligations fully.

How can the Senate exercise any honorable choice other than to provide the necessary funds to meet this commitment?

Mr. SCOTT. Mr. President, inasmuch as the Senator from Tennessee mentioned my name, will he yield to me?

Mr. GORE. In just a moment. I have been having a colloquy with the Senator from Oklahoma, and I wish to finish it, first.

Mr. MONRONEY. Mr. President, if the Senator from Tennessee will yield further, I wish to say a question was raised as to why the highway users do not pay more of the cost of the Interstate System of Highways. I believe the Senator from Tennessee has already explained that already they are paying, paying, paying, and paying. Today, I took occasion to call Mr. Tallamy, the head of the Bureau of Public Roads; and I asked how much of the average automobile mileage is traveled—according to his studies—on the Interstate Highway System—since we are going to provide additional funds for it, and are expected to increase the gasoline tax until it will be 10, 11, or 12 cents a gallon.

Mr. YOUNG of Ohio. Mr. President, I rise to a point of order: There is too much conversation in the Chamber, particularly by those who stand behind me; and there is too much noise in the Chamber. I ask for order.

The PRESIDING OFFICER. The Senate will be in order. Senators who desire to carry on conversations will retire to the cloakrooms. The aids of the Senate will be silent and will find seats.

Mr. MONRONEY. So, Mr. President, I was amazed to find that only 20 percent of the automobile mileage is traveled on the Interstate System highways.

Mr. GORE. Yet this tax will apply to all those who purchase gasoline, regardless of the roads on which they drive.

Mr. MONRONEY. Yes, including the taxi drivers who travel only in the cities.

I repeat that only 20 percent of the passenger car mileage of the Nation is traveled on the Interstate System highways, according to the Bureau of Public Roads. Yet the automobile users already are paying far more than the highway users' tax, and are carrying a great deal of the general tax load for

the Nation's defense, social welfare programs, health programs, and so forth.

Certainly it is high time that we provide general revenue taxes to take care of general revenues items, and transfer—as would be done by means of the amendment of the Senator from Tennessee—some of the automobile users' tax receipts—such as those from the automobile excise tax—to help defray a part of the vast cost of this necessary System of Interstate Highways.

Mr. SCOTT. Mr. President, will the Senator from Tennessee yield?

Mr. GORE. In one moment.

At this time I wish to point out to my friend, the junior Senator from Oklahoma, that by means of the pending amendment, I do not propose to stop all of that diversion. I propose to dedicate to the highway trust fund only 4 percent of the 10-percent excise tax on automobiles in fiscal year 1960. My amendment would not touch the revenue from the tax on trucks, buses, trailers, automobile parts and accessories and other highway user taxes which now go to the general fund. Still there will be diverted, after my amendment is enacted, approximately \$1,100 million for building of highways in Burma, or for other purposes, whatever they may be.

I yield now to the junior Senator from Pennsylvania.

Mr. SCOTT. Would the distinguished Senator, for purposes of clarification, tell me this: Do I understand the Senator has abandoned his proposal for a rescission of 1 percent of the general revenues.

Mr. GORE. I have that amendment pending at the desk. I hope this amendment will be adopted. I would prefer the closing of a tax loophole to a rescission of appropriations. If the Senate should, unfortunately, decline to accept the pending amendment, I will then propose the amendment to which the Senator has made reference.

Mr. SCOTT. In other words, if the pending amendment fails, it is the intention of the Senator from Tennessee to propose a general rescission of 1 percent of the general revenues. Is that correct?

Mr. GORE. Well, I would not say general; it is general with the exception of statutory requirements, such as for veterans' pensions and interest on our public debt. But I do not wish to discuss that amendment at this time. Let us not confuse that amendment with the pending amendment.

Mr. SCOTT. I was hoping the Senator would answer a relevant question. Would his proposal not include rescission of 1 percent of the \$40 billion of the defense budget, and would not it take away \$400 million from the defense of the United States?

Mr. GORE. That question is not now before the Senate, and I hope the Senator will not try to confuse the issue. The pending question is very simple.

Mr. SCOTT. May I ask—

Mr. GORE. Well, now—

Mr. SCOTT. On this amendment, then. I will confine myself to this pending amendment with one further question.

Mr. GORE. I yield.

Mr. SCOTT. Will the Senator inform me how much revenue he expects to be gained by this amendment in its several parts?

Mr. GORE. It has only one part relating to additional revenue.

Mr. SCOTT. It relates to the excise tax—

Mr. GORE. The Senator misunderstands. There is only one source of revenue provided in the amendment, and that is the repeal of the dividend credit.

Mr. SCOTT. How much then would go to the general fund?

Mr. GORE. An estimated \$335 million, and that estimate comes from the Treasury Department.

Mr. SCOTT. So that that \$335 million taken from the general fund must be raised in some other manner if we are going to raise the \$40 billion for the defense budget?

Mr. GORE. I am sorry the Senator does not understand the amendment.

Mr. SCOTT. I suspect I am not the only one.

Mr. GORE. If he will join me on the couch in the back, I will endeavor to explain it to him. [Laughter.]

Mr. SCOTT. I do not propose to psychoanalyze the able Senator. [Laughter.]

Mr. McCLELLAN. Mr. President, will the Senator yield?

Mr. GORE. I yield to the Senator from Arkansas.

Mr. McCLELLAN. I thank the distinguished Senator. I actually seek information. I should like some enlightenment. If I am correct, will the Senator please so advise me? The Senator simply would take the excise tax on passenger automobiles as now levied—

Mr. GORE. In part. The levy is now 10 percentage points. I would transfer 4 percentage points to the highway fund in fiscal 1960.

Mr. McCLELLAN. Four out of the ten.

Mr. GORE. 40 percent.

Mr. McCLELLAN. The Senator would transfer that money from the general fund into the highway trust fund.

Mr. GORE. That is correct.

Mr. McCLELLAN. The deficit in the general fund has to be made up. So the Senator wants to make up that deficit in the general fund by repealing the dividend credit now in the tax law. Is that, simply stated, the amendment of the Senator?

Mr. GORE. That is correct. The senior Senator from Arkansas understands it.

Mr. McCLELLAN. I came into the Chamber a little late. The Senator proposes simply to transfer permanently 40 percent of the excise tax now in effect on passenger automobiles into the trust fund for highway construction.

Mr. GORE. For this year.

Mr. McCLELLAN. For this year only.

Mr. GORE. Then 6 percentage points the following 4 years.

Mr. McCLELLAN. How much is it estimated will that take out of the general fund for this year?

Mr. GORE. \$520 million.

Mr. McCLELLAN. \$520 million.

Mr. GORE. May I point out how we arrived at that amount? The deficit in the highway trust fund this year is estimated to be \$493 million. The 40 percent of the excise tax on automobiles will produce an amount as nearly equal to that amount as could practicably be selected.

Mr. McCLELLAN. In other words, that amount is adequate to make up the deficit?

Mr. GORE. That is right; it is adequate.

Mr. McCLELLAN. To replenish the general fund, into which the passenger automobile tax is now going, the Senator simply proposes to repeal the dividend tax credit now allowed?

Mr. GORE. That is right.

Mr. McCLELLAN. How much revenue will the repeal produce?

Mr. GORE. \$335 million, according to an estimate of the Treasury Department, which compares, I point out, to an estimate of \$333 million from the proposal in the House bill of a 1-cent increase in the gasoline tax.

Mr. McCLELLAN. In other words, the levy on the gasoline tax will amount to only \$333 million, according to the estimate?

Mr. GORE. That is correct, for fiscal 1960. I should like to say that I disagree with the recommendation of the administration that we should impose an additional gasoline tax. If the problem is to be solved in that manner, however the Administration was correct in asking for a 1½ cent additional tax, instead of a 1-cent tax. An additional tax of one cent will not do the job. The provision for a 1-cent tax as contained in the House bill will leave a deficit in the highway trust fund of \$160 million this year, and that means the Federal Government will be in default to our States.

Mr. McCLELLAN. Does the transfer of funds from the passenger automobile tax adequately cover the deficit?

Mr. GORE. This year.

Mr. McCLELLAN. For this year?

Mr. GORE. And next year.

Mr. McCLELLAN. The Senator proposes to make up a part of that deficit by a repeal of the dividend allowance. Is that correct?

Mr. GORE. That is correct.

Mr. McCLELLAN. Some money will still be taken out of the general fund, however? That will not be replenished?

Mr. GORE. That is correct. I seriously considered proposing a transfer from the general fund only of the amount equal to the amount the dividend credit repeal would bring in, but I could not bring myself to do so because it would not solve the problem at all. It would still leave a deficit in the highway trust fund. As the Senator nos, as long as he has been a Member of the Congress, we have made apportionments, and the State governors and the State legislatures and the State highway departments have depended upon them. They have never been questioned before.

Mr. McCLELLAN. May I state my understanding of the proposal? With the amendment of the Senator from

Tennessee, we are given the choice of substituting a repeal of a dividend allowance, which is now received under existing law, or raising the gasoline tax by 1 cent. Is that correct?

Mr. GORE. That is correct.

Mr. McCLELLAN. Will either completely solve the problem?

Mr. GORE. No.

Mr. McCLELLAN. We are still left without the problem being fully resolved, either way we go?

Mr. GORE. Well, there is another provision in my amendment about which the Senator has interrogated me. The other part of my amendment provides for a dedication of 40 percent of the revenue from the automobile tax to the highway trust fund.

Mr. McCLELLAN. I just stated that.

Mr. GORE. It would solve the fiscal problem so far as the highway trust fund is concerned. It would raise the problem which the able Senator has discussed—that we would transfer out of the general fund to the highway trust fund more money than the amendment would bring into the general fund.

Mr. McCLELLAN. That is the point I was making. There would still be a deficiency or a deficit.

Mr. GORE. With my amendment.

Mr. McCLELLAN. How are we going to make up that deficit?

Mr. GORE. May I state what H.R. 8678 does? It raises approximately only the same amount of revenue my amendment proposes. One amount is \$335 million; the other is \$333 million.

Mr. McCLELLAN. In other words, does the Senator think there would be about the same deficit, either way we go? Is that right?

Mr. GORE. Not quite. The House bill, however, would let the States bear the deficit by having the Federal Government default on a commitment that we have made, under which the States have awarded contracts. The contracts are being performed. When a contract is completed, as the able Senator knows, the contractor expects to be paid. How is the State going to pay the contractor? The House bill leaves a deficit in the trust fund, according to the testimony—it is all in the hearings of yesterday—of \$160 million in this fiscal year and a deficit next year which will be substantially larger, at least until near the close of the next fiscal year.

Mr. McCLELLAN. If I may, I should like to make one brief observation and then conclude. I thank the distinguished Senator.

Mr. GORE. I will say that after the catechism of the able senior Senator from Arkansas the question has been brought so plainly and simply before the Senate I think the best thing I can do is take my seat. The Senator has contributed greatly by bringing the points into focus.

Mr. McCLELLAN. The Senator from Tennessee contributed greatly to my understanding. I thought I understood the matter, but it has been clarified.

I should like to make one other observation, if the Senator will permit. What is attractive to me about the Senator's proposal is that I have long desired to

see the gasoline tax and the automobile taxes—the revenues raised from those sources—applied first to cover all that we spend on Federal highways.

Mr. GORE. The Senator has not only done that—

Mr. McCLELLAN. I have been anxious to see that done. We require the States not to divert any of their gasoline tax funds.

Mr. GORE. The Senator is correct.

Mr. McCLELLAN. I know the fiscal situation which confronts us. We are confronted with alternatives. If we want to try to keep this thing in balance, we are simply confronted with the alternative of either placing a 1-cent additional tax on gasoline or repealing the dividend credit.

Mr. GORE. Or we can leave the Government in default to our States.

Mr. McCLELLAN. Or we will further pyramid the national debt.

Mr. GORE. The Senator is correct.

Mr. McCLELLAN. I think the distinguished Senator.

Several Senators addressed the Chair.

Mr. GORE. I yield first to the Senator from Pennsylvania.

Mr. CLARK. If I may, I should like to have the attention of the Senator from Arkansas for a minute.

Mr. McCLELLAN. Yes.

Mr. CLARK. I heard the Senator's interesting colloquy with the Senator from Tennessee. It is true that the amendment offered by the Senator from Tennessee will not make up to the general fund of the Treasury all of the money it would take out, but I shall support the Senator's amendment, because if it is adopted—and I hope it will be—then the Senator from Minnesota, the Senator from Wisconsin, and I propose to offer another amendment which will be an amendment, really, to require the deducting of the tax on interest and dividends at the source. If that amendment is agreed to, we will not only make up everything we will take out of the general fund of the Treasury, but we will provide a \$100 million surplus.

Mr. GORE. I should like to add one other thing to the statement made by the Senator from Arkansas, before I yield to another Senator.

I think I referred to the suggestion of Mr. Tallamy yesterday, about contract control, before the senior Senator from Arkansas entered the Chamber. Never before, since 1916, have the apportionments which Congress has enacted every 2 years been questioned. The integrity of those apportionments was put into question yesterday, because of what Mr. Tallamy told the committee. What he said is in black and white, several times, because I questioned Mr. Tallamy at length about the matter.

Mr. Tallamy said he proposed to solve the problem of the deficit by a Federal control of State contracts, even though the State provides a 50—50 matching fund on the primary, secondary, and urban extensions. I hope every Senator will read the RECORD, before he votes to support the House bill.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. GORE. I yield now to the Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, I congratulate the Senator from Tennessee for the very fine fight he is making against the increase in the gasoline tax. I support the Senator enthusiastically.

I should like to invite the attention of the Senate to the fact that in the event the amendments proposed by the Senator from Pennsylvania and other Senators should fail, I have an amendment I may offer to reduce the depletion allowance on oil. I think there is a great merit in what the Senator from Rhode Island has said, because this is particularly and peculiarly pertinent to a highway bill, since it involves oil, of course. As many Senators know, there are great inequities involved. Whether I offer that amendment or not will depend on whether it seems at the time that I have any chance of winning adoption of the amendment.

Mr. GORE. I thank the Senator from Wisconsin very much.

Mr. NEUBERGER. Mr. President, will the Senator yield?

Mr. GORE. I yield to the junior Senator from Oregon.

Mr. NEUBERGER. Mr. President, I wish to say to my distinguished colleague that I have an amendment to offer to his amendment. When I can get the floor in my own right I intend to offer the amendment.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. NEUBERGER. Mr. President, I have an amendment to offer, and I would like to get the floor.

Mr. GORE. Mr. President, I shall conclude as quickly as possible.

I now yield to the Senator from Colorado.

Mr. CARROLL. Mr. President, I hope that the Senator from Wisconsin did not indicate he intended to offer the depletion allowance amendment on top of the other amendments. As I understand the situation, only if the other amendments fail will the Senator offer the amendment.

Mr. PROXMIRE. If the Senator from Tennessee will yield for a moment, so that I may reply to the Senator from Colorado, I am delighted to have the Senator from Colorado emphasize that point. I will only offer the amendment in the event that I am required to do so because the other amendments which are offered do not pass. In that event, I feel this alternative might conceivably be considered favorably by the Senate, and in that event I may or may not offer this amendment.

Mr. CARROLL. The reason why I make that statement is that the Senator from Rhode Island said we ought to have a depletion allowance amendment offered. This has been worked on for 30 years. This is a problem which was considered in the time of President Roosevelt and in the time of President Truman. The able Senator from Louisiana, who comes from a great gas State, knows that if the amendment ever is adopted—and it is almost impossible ever to have it adopted in the first place—it would be vetoed at the White House.

I say we should stick to first things first. The Senator from Tennessee has made a very able presentation. It is so clear that even the Senator from Colorado can understand it. [Laughter.]

Mr. GORE. Mr. President, I shall take only 1 additional minute.

It would be hard to overestimate the importance of our highway program. According to recent estimates, approximately 40,000 American citizens were killed in wrecks on our inadequate highways last year. Even with this program which we have underway, we are not meeting the need for better highways.

Through World War II and through the Korean war, because of a shortage of money and material, we let our highway improvement program take a back seat. Now we have a vigorous program designed to bring our highways to a condition of adequacy, in all of the categories, by 1975. I urge the Senate not to leave the program in default, and to provide equitable and adequate financing for the program.

Mr. GOLDWATER. Mr. President, will the Senator yield for a question on an entirely different point? I wanted to wait until the other Senators had exhausted their questions on the money angle.

Mr. GORE. I yield to the Senator from Arizona.

Mr. GOLDWATER. Mr. President, I have a question to ask the Senator from Tennessee regarding history. In the Federal-Aid Highway Act of 1956, section 116, subparagraph (c), it is stated:

Public hearings: Any State highway department which submits plans for a Federal-aid highway project involving the bypassing of, or going through, any city, town, or village, either incorporated or unincorporated, shall certify to the Commissioner of Public Roads that it has had public hearings, or has afforded the opportunity for such hearings, and has considered the economic effects of such a location: *Provided*, That, if such hearings have been held, a copy of the transcript of said hearings shall be submitted to the Commissioner of Public Roads, together with the certification.

My question of the distinguished Senator is this: Is it the Senator's understanding—and was it the Senator's understanding at the time the legislation was written—that, with regard to a highway project involving the bypassing of a community, the wishes of the community were to be considered by the State highway body?

In other words, let us consider that it might be found desirable, under the formula set up by the Bureau of Public Roads, to bypass a small town. Was that town to be allowed a chance to say something about the bypassing before it was done?

Mr. GORE. The Senator has read the provision of the law which is still in effect. The law does not make mandatory that a hearing be held, but it makes mandatory that there be an opportunity for a hearing, if a community desires it.

Permit me to make one additional point. The act provided that the highways should be located and constructed so as to give equal consideration, insofar as practicable, to intrastate traffic and interstate traffic.

Mr. GOLDWATER. Mr. President, will the Senator yield?

Mr. GORE. I yield to the Senator from Arizona.

Mr. GOLDWATER. My reason for asking the question is that in the Far West, as the Senator knows, interstate highways do not have the importance of intrastate highways, and when a State like the State which I represent, in part, goes into a program of interstate highways, it realizes that what we are attempting to do, in essence, is to provide a means for tourists in the East to get to California a little earlier. I do not know why anyone should want to do so, but, nevertheless, that is what they are doing. Likewise, they are providing means for people from California to get to the eastern part of our country. Therefore, as the Senator might imagine, this has not met with general acceptance in the Western States.

I merely wished to clear up, if I could, with the distinguished Senator from Tennessee, the legislative intent of this particular subparagraph of section 116. Are these communities to have anything to say about bypassing, or is it merely subterfuge we find in the act?

Mr. GORE. So far as I am qualified to state the intent of the committee—and I am qualified to state my own intent—it was intended that every community would be afforded an opportunity to have a public hearing, if it so desired.

Mr. GOLDWATER. I have one additional question, on which I will try to be brief. Is it the Senator's further recollection, in the establishment of the legislative history, that the State highway engineering body, whatever it might be called—in my State it is the highway commission—would be the organization which would first prepare the plans for the Interstate System, or was that power to be vested in the Public Roads Bureau?

Mr. GORE. The act provides for the submission of construction plans by the respective States. Those plans, including proposed design and location, are subject to approval or disapproval by the Secretary of Commerce. The initiation of projects is entirely a State matter.

Mr. GOLDWATER. Is it then clear to the junior Senator from Arizona, from what the Senator from Tennessee has just said, that the State highway body is the initiating body in this program, and not the Bureau of Public Roads?

Mr. GORE. That is correct.

Mr. GOLDWATER. I mention that point because in my State occasions have arisen when the State highway body has said they had received the plans from up above. Some bypasses involved 40 or 50 miles, and were not economically desirable or feasible. If I can have the assurance of the intent of the author of the act that the State is the level at which these plans are to be initiated, I am perfectly satisfied.

Mr. GORE. There is nothing in the act which forbids the Bureau of Public Roads in the Department of Commerce from making suggestions concerning location of routes through States, but the application for approval of construction

plans originates in the States, and it can originate in no other place.

Mr. GOLDWATER. I thank the Senator.

Mr. LONG of Louisiana. Mr. President, will the Senator from Tennessee yield?

Mr. GORE. I yield.

Mr. LONG of Louisiana. I believe it should be made clear, in the event it is not fully understood, that highway users are already paying almost twice as much in excise taxes imposed on highway users as is presently going into the fund. It is not fully twice as much, but they are paying about \$3,885 million in excise taxes, including the tax on automobiles.

In addition, the amount going into the fund is approximately \$2,200 million, I believe.

Mr. GORE. It is approximately 58 percent of the total amount collected.

Mr. LONG of Louisiana. About \$2,200 million. So all the Senator is saying is that highway users are already paying more than enough to pay for the highways, and \$1.5 billion or perhaps \$1.6 billion over and above that to finance general Government.

Mr. GORE. That is correct.

Mr. LONG of Louisiana. In addition to that, they are paying all the other taxes. Ten members of the House Ways and Means Committee who voted for the bill we have before us said what the Senator is saying here. They said that highways users are already paying more than their share. Here are 10 members of the House Ways and Means Committee who send us a bill and who say there are other more fair and equitable means of raising additional funds, if we wish to adopt them. They themselves point out, in their supplemental views, there are more equitable methods of increasing the general revenues than by imposing an additional tax on gasoline.

There is very substantial support in the House of Representatives for exactly the position the Senator has taken. The trouble is that in the House the rules prevent them from voting for the kind of bill the Senator has in mind.

Mr. GORE. Mr. President, I appreciate the attention of my colleagues.

Mr. NEUBERGER. Mr. President, I propose an amendment to the amendment submitted by the distinguished Senator from Tennessee. My amendment would add a new section to the amendment, as follows:

There will be imposed an additional 1 cent tax on gasoline, diesel fuel, and special motor fuels for the 21-month period beginning October 1, 1959, and ending June 30, 1961.

The PRESIDING OFFICER. The clerk will report the amendment.

The LEGISLATIVE CLERK. At the appropriate place, insert the following:

There will be imposed an additional 1 cent tax on gasoline, diesel fuel, and special motor fuels for the 21-month period beginning October 1, 1959, and ending June 30, 1961.

Mr. GORE. Mr. President, will the Senator yield?

Mr. NEUBERGER. I yield to the Senator from Tennessee.

Mr. GORE. The Senator proposes to repeal the dividend credit?

Mr. NEUBERGER. That is absolutely correct. I should like to make a few remarks, and then I shall be glad to yield.

The Senator from Tennessee and his associates are eminently correct in wanting to close tax loopholes, but I also believe we need more revenues in the Government. Let us not fool ourselves about this need. We have a \$12 billion to \$13 billion deficit in the fiscal year just concluded. We are not even beginning to live up to our responsibilities during the present fiscal year.

The President of the United States and the Prime Minister of Great Britain said, in their meeting a few days ago in London, that they expected the cold war between the free world and Russia to continue indefinitely, which means we are going to have vast expenditures in the field of armament throughout the future.

Only last night or the night before the distinguished Admiral Rickover told the American Legion convention we were not really doing our job in the field of education if we are to keep up with the Soviet Union in scientific and other fields.

We know there are unlimited Government responsibilities such as health we are not properly carrying, and yet already the Treasury anticipates a deficit in the current fiscal year. Therefore I believe we should close the existing tax loopholes and we should also raise the Federal gasoline tax.

Members of the Senate should know the Saturday Evening Post pays nearly 25 cents a word for fiction. There have been speeches today claiming there is a plot to raise the gasoline tax and big business wants to unload the burden of cost on the little fellow. This is fiction. Unless we consider the big petroleum companies as "papa and mama" stories, that claim is wrong. We know for months the big oil companies have carried on propaganda against President Eisenhower's proposal to raise the gasoline tax. I have here a statement published by one of the big gasoline companies, Texaco, which is headed "Stop Unwarranted Federal Gasoline Tax Increase." I ask unanimous consent that it be inserted at this point in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

**UNWARRANTED FEDERAL GASOLINE TAX
INCREASE**

For every gallon of gasoline your car consumes you now pay State and Federal taxes that average more than 40 percent of the retail price, less tax. Yet Congress is being asked to increase the Federal tax on gasoline from 3 to 4½ cents.

Proponents of the increase argue that it is needed to prevent a deficit from developing in the Federal highway trust fund set up in 1956 to finance the network of interstate highways now under construction. The fact is there would be no deficit whatsoever in the highway trust fund if Federal automotive taxes already being collected from vehicle owners were not being used to subsidize other governmental functions. In fiscal 1958, 42 cents out of every dollar in

Federal automotive taxes went into the general fund of the Treasury instead of the highway trust fund. These diverted automotive taxes would be more than sufficient to make up any anticipated deficits in the highway program.

For this reason, Texaco believes that an increase in the Federal gasoline tax is unwarranted. If you share this view, we suggest you make it a point to let your Congressman know that you do.

The combined national average of State and Federal taxes on a gallon of gasoline now amounts to 80 percent of the refinery price, 54 percent of the tank wagon price, and 41 percent of the retail price, less tax. Any further increase is unjustifiable and should be vigorously opposed.

Mr. NEUBERGER. I have also a statement published by another "papa and mama store," the General Petroleum Corp., telling us not to increase Federal gasoline taxes. I ask unanimous consent to insert that article in the RECORD at this point.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

The price you pay for gasoline is not the price of gasoline.

You pay 80 to 95 cents tax on 10 gallons of gasoline—30 cents Federal plus 50 to 65 cents State.

On the national average, a dollar's worth of gasoline, plus taxes, costs \$1.41. No other necessity carries such a taxload.

We all want and need adequate highways. So far, highway users have been willing to shoulder a fair cost burden. What is fair should be for users to judge.

A tax once considered fair can become unfair if excessive taxes force people to drive less, or if tax money is wasted or spent for frills, or spent for nonhighway purposes.

The Federal Government puts into the highway fund less than \$2 out of \$3 it collects from motorists. The rest goes into the general fund.

Now, to keep the highway fund out of the red, Congress is being asked to increase the Federal gasoline tax to 45 cents on 10 gallons. This wouldn't be necessary if all Federal tax dollars collected from motorists went into highways.

Also, this year, bills to increase State gasoline taxes have appeared in 15 States. They were enacted in New York and West Virginia. They failed in Arizona, Oregon, and Washington. One is still pending in California.

We don't like to have any more tax added to your bill than you will endorse and support.

Let your representatives in Government know your feelings when a tax change is proposed. It will be too late after the tax appears on your monthly bill.

Without the tax, gasoline is a bargain in both price and quality. Since 1940, gasoline prices have gone up less than half as much as most other items in your budget, with quality constantly improving. Only the tax is high.

GENERAL PETROLEUM CORP.

Mr. NEUBERGER. At the same time, these little "papa and mama" stores, the big gasoline companies, tell us not to raise the gasoline tax to 4 cents and close up our Federal financial and fiscal deficit, as the President has recommended. What are they doing? Here is a story from the New York Times of July 28, 1959, headed "Gasoline Prices Up." I ask unanimous consent that the article be printed in the RECORD at this point as a part of my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York Times, July 28, 1959]
**GASOLINE PRICES UP—STANDARD OF INDIANA
RAISES DEALER RATES IN ILLINOIS**

CHICAGO, July 27.—Standard Oil Co. of Indiana raised prices of gasoline today. The increases were expected to be also adopted by other major gasoline producers.

In the Chicago metropolitan area, the price to service station dealers goes up eight-tenths cent a gallon. In northern Illinois area, the increase is 1 cent.

A spokesman for Standard said the increases restored in whole or in part price cuts made earlier this year.

Mr. NEUBERGER. Here is an article from the Wall Street Journal of August 7, 1959, stating:

In Cleveland, Standard Oil Co. (Ohio) raised the price of gasoline 1 cent a gallon at all marketing levels.

I ask unanimous consent that this article be printed in the RECORD at this point as a part of my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

Esso Standard Oil Co. reduced prices of its kerosene, No. 2 fuel and diesel oils by 0.3 cent a gallon. Areas affected by the cuts include most of the Atlantic seaboard. In Cleveland, Standard Oil Co. (Ohio) raised the price of gasoline 1 cent a gallon at all marketing levels. Sohio said the increase puts the company's motor fuel prices back to where they were last fall.

Mr. NEUBERGER. Next is an article from the Wall Street Journal of August 10, 1959, headed "Sun Oil, Atlantic Refining Raise Some Gasoline Prices." I ask unanimous consent that this article be printed in the RECORD at this point as a part of my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Wall Street Journal, Aug. 10, 1959]

**SUN OIL, ATLANTIC REFINING RAISE SOME
GASOLINE PRICES**

PHILADELPHIA.—Sun Oil Co. and Atlantic Refining Co. increased wholesale gasoline prices 0.8 cents a gallon in Pennsylvania. Atlantic said it would boost the price by the same amount in Delaware.

The higher tank-wagon prices will result in a 1-cent increase at retail in Pennsylvania, where gasoline is "fair traded" at 28.9 cents for regular grades in the eastern part of the State and 28.9 cents in western Pennsylvania, including taxes.

New tank-wagon price for regular gasoline is 16.1 cents in eastern Pennsylvania and 16.9 cents in western Pennsylvania. The new tankwagon price for Atlantic gasoline in northern Delaware is also 16.1 cents, and in the southern part of the State is 16.7 cents. Tankwagon prices exclude taxes.

New York-Esso Standard Oil Co., marketing affiliate of Standard Oil Co. (New Jersey), has increased its wholesale price of gasoline to dealers 0.8 cents a gallon, effective August 8, in Pennsylvania and at Wheeling, W. Va.

The change is in line with increases by other marketers in the area.

Mr. NEUBERGER. Here is a story from the Washington Post, a newspaper published in the city where we now live

temporarily, but which we hope soon to leave for a spell. It states:

Esso Standard Oil Co. announced a 1-cent increase in wholesale gasoline prices to Washington area retailers yesterday.

I ask unanimous consent that this article be printed in the RECORD as a part of my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

GASOLINE PRICE INCREASED HERE

Esso Standard Oil Co. announced a 1-cent increase in wholesale gasoline prices to Washington area retailers yesterday.

Horace Walker, a spokesman for the Retail Gasoline Dealers Association, said a spot check of local dealers indicated that they would pass on to the consumer, increases varying from 1 to 1.5 cents per gallon. He said he was unable to learn the reason for the increase, but expected other companies to follow suit.

The Esso increases would apply to all grades of gasoline, which sell locally at retail from 28.9 to 30.9 cents for regular, 32.9 to 34.9 for extra, and 34.9 to 36.9 for the new "super" grades.

Mr. NEUBERGER. What is the situation? The very oil companies that have been flooding the country with propaganda, and putting propaganda into each motorist's car as he comes up to the gasoline pump, against a 1-cent or 1½-cent increase in the Federal gasoline tax to maintain the roads on which these motorists drive, are constantly increasing their own prices. They bleed for the little motorist, and undertake to defend him against an increase in the gasoline tax, but they are quite ready to rise their own gasoline prices.

I have been sitting here for an hour listening to speeches by distinguished Senators, telling us that this is a great plot of big business and big corporations to load the 1-cent or 1½-cent increase in the tax—and I am willing to vote for an increase of 1½ cents in the gasoline tax—on the little fellow. Yet, all the gasoline companies are flooding the country with propaganda against President Eisenhower's proposal.

What is the situation with regard to the contention that somehow the gasoline tax must be dedicated only to the purpose of roads? There is no such doctrine in our country, and has never been any such doctrine of taxation. If that were true, why do people without children pay school taxes in every State in the Union, as they should? Why do people who live in brick apartment houses and hotels have to pay to support the fire department to enable it to put out a fire in a frame dwelling that is combustible—as they should do?

We know that our Federal and State Governments collect taxes from Christian Scientists and use the money for medical research. Do Senators mean to tell me that they should not pay? The Christian Scientists are not going to draw on medical research. It is contrary to the sincere teachings of their religion. But they are taxed, and the taxes are used to promote public health activities, which they often oppose, much less acquiescing in it.

We have never had any doctrine of taxation to the effect that every dollar

collected should go to the particular purpose to which it is related. If that were the case, we would take all the money from cigarette taxes and use it in cancer research, to learn more about dreaded lung cancer. We would take the taxes from liquor and use them to try to rehabilitate the 5 million victims of chronic alcoholism. Or we would take the substantial excise tax on electric light bulbs and dedicate it to hydroelectric plants, or to the TVA, or St. Lawrence Seaway, in the States of the Senators from Wisconsin and New York.

We have an opportunity to close some tax loopholes, which the Senator from Pennsylvania, the Senator from Tennessee, and other Senators have very properly excoriated.

We also have an opportunity to be responsible legislators, and to raise some money to help pay for what we need to do here and abroad, if we are to protect the free world and maintain progress at home.

Suppose in 1 year we should collect a little more than we spend, and help to whittle away a small part of the \$290 billion national debt. Would that be a felony? I favor such a policy.

I have read the writings of J. M. Keynes, a very famous economist. I have often quoted him. Many of my liberal friends—and I hope I am a liberal—say that in times of depression we should have deficit financing. That may be true. It is also said that in good times we should retire the debt caused by deficit financing during the earlier depression. That time never seems to arrive.

I have offered my amendment to the amendment of my able friend from Tennessee in order that we might have in one vehicle the means of closing some of the tax loopholes and at the same time increasing revenues.

One of the most outstanding speeches I ever heard in the Senate was delivered after we passed the mutual security authorization bill by the distinguished chairman of the Committee on Foreign Relations [Mr. FULBRIGHT] who is now present in the Chamber. He pointed out that he thought the American people would rather survive in a Lark than go down to defeat and perdition in a Cadillac. If I am not mistaken—I quote from memory—he said that he thought the American people would be willing to pay higher taxes if that were necessary to maintain the free world and to maintain our competitive position with the Soviet Union and Red China.

I do not see why we should not increase the Federal gasoline tax. Certainly it is a sales tax. There are all kinds of sales taxes. There is a high sales tax on electric light bulbs. Are electric light bulbs any less a necessity than gasoline? I would rather have an old car and electric lights in my home than to have a new car and have no electric lights in my house. I cannot very well get along with a Coleman lantern, as I used to do when I was a Boy Scout or soldier camping in a tent. I have passed that age.

Women in the galleries pay a heavy sales tax every time they paint their faces. Ask them which is the greater necessity—putting on their cosmetics or

getting into an automobile to go downtown. Would they rather take a street car while wearing cosmetics, or an automobile, and forgo the use of cosmetics?

There are all kinds of sales taxes on necessities. The able Senator from Tennessee has pointed out what an imposition it would be to raise the Federal gasoline tax from 3 to 4 cents a gallon; yet I do not believe I abuse the truth when I say that he, who was the predominant figure in connection with the Federal Interstate Highway Act, himself collaborated and participated in raising the Federal gasoline tax from 2 to 3 cents a gallon. How can it be sound wisdom to raise the Federal excise tax on gasoline from 2 to 3 cents a gallon, but a heinous offense to raise the same tax from 3 cents to 4 cents? Who ordains that the line of demarcation between good and evil occurs at 3 cents? If we face up to the truth, I believe we shall have to raise more revenues in this country, and not less.

Mr. McCARTHY. Mr. President, will the Senator yield?

Mr. NEUBERGER. I yield.

Mr. McCARTHY. I should say that the difference might be about the same as the difference between holding a man's head 1 inch above the water and holding it 1 inch below the water. There is a significant difference.

Mr. NEUBERGER. I am probably very stupid, but I do not understand the analogy.

Mr. McCARTHY. The Senator says there is no difference between raising the gasoline tax from 2 to 3 cents and raising it from 3 to 4 cents.

Mr. NEUBERGER. We have had a period of inflation in between. Roads have become more costly.

Mr. McCARTHY. We have not had a period of inflation since last year.

Mr. NEUBERGER. Have we had no inflation from 1956 to 1959?

Mr. McCARTHY. Not that much.

Mr. NEUBERGER. We have had some inflation, and we have expanded the Interstate Highway System and added to the mileage.

Mr. McCARTHY. The economy has expanded, too, as has the consumption of gasoline.

Mr. NEUBERGER. It seems to me that we would have a balanced program if we were to close tax loopholes, and also increase the Federal gasoline tax. Those who drive on the roads should help to pay for them. It appears to me that this is a tax which all our States support. I do not know of any State that fails to have a gasoline tax. I do not know any Member of this body who has ever returned to his State and protested against the State gasoline tax.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. NEUBERGER. I yield.

Mr. FULBRIGHT. I am not quite clear what the Senator's amendment would do. Would his amendment provide for the repeal of the credit on dividends received?

Mr. NEUBERGER. What my amendment does is this: At the desk is an amendment offered by the able Senator from Tennessee [Mr. GORE]. I am prob-

ably presumptuous in seeking to explain his amendment, but his amendment would repeal the credit on income tax for people who receive dividends.

Mr. FULBRIGHT. The dividend credit.

Mr. NEUBERGER. Yes. He would put it in the general fund to make up for that portion of the automobile excise taxes which would be taken by his amendment from the general fund and placed in the highway trust fund.

Mr. GORE. It transfers 4 of the 10 percentage points of the excise tax on automobiles to the trust fund in fiscal 1960.

Mr. JOHNSON of Texas. Mr. President, will the Senator from Oregon yield?

Mr. NEUBERGER. I yield.

Mr. JOHNSON of Texas. I am informed that the language the Senator has prepared needs to be put in another form if it is to get the results he desires. The chairman of the Committee on Finance [Mr. BYRD] has some witnesses from the Treasury here. He would like to have a meeting for possibly 30 or 40 minutes. I have spoken with the author of the amendment, the Senator from Tennessee [Mr. GORE]. He thinks it might be possible, by taking a recess now, to discuss the language proposed by the Senator from Oregon to see if the matter can be straightened out. I shall move that the Senate take a recess subject to the call of the Chair, if that is agreeable to all parties.

Mr. FULBRIGHT. I should like to complete my question.

Mr. JOHNSON of Texas. Certainly.

Mr. FULBRIGHT. I wanted to have my point made clear. That is the same measure, is it not, which the Senate, so far as the repeal of the dividend credit is concerned, passed upon earlier this year?

Mr. NEUBERGER. I think the Senate passed upon it, if I am not mistaken. It was rejected in conference.

Mr. ANDERSON. No; on the floor.

Mr. CLARK. The Senator is incorrect. The amendment was agreed to on the floor of the Senate by a vote of 47 to 31. It was taken to conference and was rejected in conference.

Mr. FULBRIGHT. What the Senator from Oregon is offering is not some new, radical idea; it is exactly the same proposal as that which the Senate adopted earlier this year in a different tax matter. Is not that correct?

Mr. NEUBERGER. That is correct. That is the amendment of the Senator from Tennessee.

Mr. FULBRIGHT. Just a moment. I know there is some overlapping, but what the Senator is offering is a substitute.

Mr. NEUBERGER. It is an addition.

Mr. FULBRIGHT. It is the repeal of the dividend credit, is it not?

Mr. NEUBERGER. That is what the Senator from Tennessee is proposing.

Mr. FULBRIGHT. But the Senator from Oregon is adopting that, is he not?

Mr. NEUBERGER. Yes, and I am adding to it.

Mr. FULBRIGHT. I am trying to understand the effect of the amendment of the Senator from Oregon. He is adding

a proposal to increase the tax, which is the same as what the House has passed.

Mr. NEUBERGER. That is correct.

Mr. FULBRIGHT. The Senator from Tennessee is opposed to that, but the Senator from Oregon is offering it as an amendment to the repeal of the dividend credit, and the net result would be, if the Senator's amendment was adopted, that we would repeal all the dividend credit, which would contribute about \$380 million to the Treasury and provide for an increase in the gasoline tax. Is that what the Senator's amendment does?

Mr. NEUBERGER. All my amendment does is to add to the amendment of the Senator from Tennessee [Mr. GORE] a 1-cent increase in the Federal motor fuel tax until July 1, 1961.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. NEUBERGER. I yield.

Mr. CARROLL. I want the Senator from Tennessee to hear me on this. If I correctly understand the amendment of the Senator from Oregon—and I believe I understand it now—it is similar to the bill passed by the House, with the addition if we should adopt it, of the amendment offered by the Senator from Tennessee.

Mr. GORE. Mr. President, will the Senator from Oregon yield?

Mr. NEUBERGER. I yield.

Mr. GORE. As the distinguished majority leader has pointed out, the amendment offered by the junior Senator from Oregon is in the form of a statement of intent and purpose; but to be legally applicable to the amendment I have offered, it would have to be offered in precise language as an amendment to the pending amendment. I think it would require some little time on the part of the legislative drafting service. For that reason, the distinguished majority leader has suggested that this might be an appropriate time to take a recess in order that the Senator may have his amendment drafted in a form applicable to the pending proposal.

Mr. CARROLL. I understood there was some imperfection with respect to the intent and purpose of the amendment offered by the junior Senator from Oregon. That is why I wanted the attention of the Senator from Tennessee. If the bill is drawn in the same form as it came from the House, and after the recess we adopt the amendment of the Senator from Tennessee, is there any doubt in anybody's mind what will happen in conference? This matter went to conference before and was rejected. It will happen again, just as surely as I stand before the Senate now. The only chance we have, in my mind, is to pass a different bill along the lines of the amendment of the Senator from Tennessee. Then perhaps we can meet the issue headon.

EMERGENCY HIGHWAY CONSTRUCTION FUNDS

Mr. MANSFIELD. Mr. President, I would like to speak briefly about a situation which is of great concern to my distinguished senior Senator [Mr. MURRAY] and myself.

As the Members of the Senate know one of the major aftermaths to the earthquake in southwestern Montana

has been the need for repairing and reconstructing highways and roads. It is estimated that it will cost \$6 million.

The existing Highway Act creates an emergency relief revolving fund of \$30 million for reconstructing roads destroyed by catastrophes such as earthquakes. These funds are restricted to Federal aid roads and are available on a 50-50 matching basis in all instances. This program goes into operation when an emergency is declared by the Governor and concurred therein by the Secretary of Commerce.

Unfortunately the 50-50 matching formula also applies to forest, park, and Indian roads which were originally constructed with 100 percent Federal funds.

The highways and roads in southwestern Montana and Yellowstone National Park in need of repair and reconstruction are all forest, park, or Indian roads and highways that were originally constructed with 100 percent Federal moneys. It seems reasonable to expect that any repairs and reconstruction would be done on a 100-percent Federal-financing basis. The Federal Government is a self-insurer.

The existing law was geared to the Federal-aid highway program, and I feel that it was an oversight in considering emergency aid to federally constructed roads and highways.

Senator MURRAY and I introduced legislation, S. 2623, which would rectify this situation and will allow these emergency funds to be used to provide the entire amount needed to put these Federal agencies' highways and roads back into shape without placing a burden on the program of either the State or any Federal agency.

Because adjournment appears to be near at hand, we brought this matter to the attention of the Senate Public Works Committee so that it might be included as an amendment to the Highway Act in the bill that we are considering today. I am very pleased with the fine response we received from the distinguished chairman of this committee, the senior Senator from New Mexico [Mr. CHAVEZ], and the unanimous approval by the committee members for including the language of our bill as an amendment to the highway-financing legislation. I also wish to express my appreciation to the junior Senator from Utah [Mr. MOSS] for the fine job he did in supporting this measure and discussing in detail the need for such legislation. His recent trip to the earthquake area made it possible for him to give an actual account of the need for this emergency highway program.

Mr. President, this new language in the highway bill will be most helpful to restoring normal conditions in southwestern Montana and Yellowstone National Park. In addition, this bill will also apply to any future situations of this nature.

HIGHWAY ACT

Mr. MURRAY. Mr. President, I wish to rise to mention briefly one provision included unanimously by the Senate Public Works Committee in the Highway Act. This is the Murray-Mansfield bill

to extend the application of the emergency fund in the Highway Act which is used to restore roads destroyed by disaster. Up to now, forest highways, park roads and trails, forest development roads and trails, and Indian roads have been, through oversight, not covered by the emergency fund. These roads are normally constructed with 100 percent Federal funds since they are on Federal lands. The amendment will include these roads.

The fund provides a Federal share of 50 percent in restoring these roads. The amendment makes it a 100 percent Federal share on the basis that these roads are a Federal responsibility.

These are the only policy changes in existing law. The rest stands. It will still be necessary for a Governor to make a declaration and the Secretary of Commerce to concur that a disaster has occurred before 1 penny can be spent.

The checks and balances that have restricted the use of the emergency fund to disaster will continue in full force and effect.

I would be remiss if I did not say that each and every member of the Senate Public Works Committee has my heartfelt thanks for his willingness to help us to meet Montana's disaster problem, and in the process to correct an inequity in the present law. The senior Senator from New Mexico [Mr. CHAVEZ] has shown his humanity and understanding. The chairman of the Roads Subcommittee [Mr. McNAMARA], has been most helpful. The Senator from Utah [Mr. Moss] deserves credit for both going to Montana to see this problem and taking the lead in committee in securing adoption of this needed amendment. I thank each member of the committee for their bipartisan support of our effort to restore this disaster stricken area in Montana and Wyoming.

Finally, I want the RECORD to show that we had from the outset good cooperation and help from Mr. Tallamy, Director of the Bureau of Public Roads.

Mr. JOHNSON of Texas. Mr. President, I move that the Senate stand in recess subject to the call of the Chair.

The motion was agreed to; and (at 4 o'clock and 55 minutes p.m.) the Senate took a recess subject to the call of the Chair.

At 6 o'clock and 3 minutes p.m., the Senate resumed its session and was called to order by the Presiding Officer (Mr. MANSFIELD in the chair).

INTEREST RATES ON SERIES E AND H U.S. SAVINGS BONDS—REPORT OF A COMMITTEE

Mr. BYRD of Virginia. Mr. President, from the Committee on Finance I report favorably, with amendments, the bill H.R. 9035 to permit the issuance of series E and H U.S. savings bonds at interest rates above the existing maximum, to permit the Secretary of the Treasury to designate certain exchanges of Government securities to be made without recognition of gain or loss, and for other purposes, and I submit a report (No. 909) thereon.

The PRESIDING OFFICER. The report will be received and printed.

FEDERAL-AID HIGHWAY ACT OF 1959

The Senate resumed the consideration of the bill (H.R. 8678) to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Oregon [Mr. NEUBERGER].

LAOS AND THE COMMUNIST THREAT

Mr. JAVITS. Mr. President, I have waited a considerable part of the day to make a speech on a very important subject, in regard to which I have already issued a release. If the Senate will be so kind as to indulge me for approximately 10 minutes, I should like to proceed at this time to make the speech.

First, Mr. President, I wish to point out that, as always happens in our very complex world, while we have been engaged with measures relating to roads and other measures which are of great domestic interest and importance, our world is burning.

Some very serious things are happening in connection with our foreign policy and, I believe, the security of our country.

There is a real conflagration in Laos; and the State Department has today issued a statement which I believe commends itself—notwithstanding our present concern with domestic matters and with Senate procedure—to the consciousness of every Member.

The State Department has stated, in regard to what is happening in Laos:

It is now clear that the Communist bloc does not intend to permit the sovereign Lao Government to remain at peace.

The State Department release ends with the following injunction to us and to the rest of the country:

It is appropriate that this matter be brought to the world's attention. It is obvious that any further augmentation of the invading force or continued material support thereof by Communists in North Vietnam will require a major change in the nature and magnitude of the royal Lao Government's need for support. The United States is confident that the free world would recognize such a new danger to peace and would take the action necessary. For its part the United States supports that view.

Mr. President, I ask unanimous consent that the full text of the State Department release be printed at this point in the RECORD, as a part of my remarks.

The PRESIDING OFFICER (Mr. JACKSON in the chair). Is there objection?

There being no objection, the release was ordered to be printed in the RECORD, as follows:

Following is the text of the statement issued by the State Department today on the situation in Laos:

"The United States as a member of the United Nations will fulfill in good faith the obligations assumed by it under the charter. One of these obligations is to take appropriate measures in support of the charter. To this end the United States will support United

Nations consideration of the Royal Lao Government's appeal.

"The U.S. Government has repeatedly announced its strong support of the Royal Lao Government in its determination to resist Communist efforts to undermine the security and stability of Laos. On August 26, 1959, the United States announced that, in response to specific and urgent requests from the Lao Government for improving its defense position, additional aid was being authorized to permit emergency increases in the Lao Army and Militia to cope with the threat posed to that Government by the Communists. The United States announced at the same time that it would continue to support reasonable approaches to achieve a peaceful solution of the current situation in Laos.

"On August 30 a strong attack from the northeast was launched against Royal Lao Army units in the northeastern border area of Sam Neua Province. The small Lao forces in this Province had been reinforced and had begun to push back an earlier Communist salient which had extended about 50 miles from the North Vietnam border in an area northwest of the town of Sam Neua. The August 30 attack against the northeastern border area provides further evidence of the active support of Communist rebel forces within Laos from Communist North Vietnam. The attack could not have been supported nor coordinated without such outside collaboration.

"It is now clear that the Communist bloc does not intend to permit the sovereign Lao Government to remain at peace. The Communist bloc apparently intends to foment and direct a rebellion within Laos and to give extensive support to the attempt to seize important areas and otherwise to prevent the establishment of those peaceful conditions necessary to implement basic economic and social programs. In short, the Communist intervention is apparently aimed at preventing the Lao people from realizing their just hopes for a better life.

"That outside Communist intervention exists is demonstrated by (1) the assistance evidently being received by the Communist forces within Laos, including supplies and military weapons that could be provided only from Communist territory; (2) the false and ridiculous Communist propaganda emanating simultaneously from Hanoi, Peiping, and Moscow to the effect that the Lao Government has been instigated by the United States to stir up a civil war within its boundaries; (3) the continuing flow from Moscow, Peiping, and Hanoi of propaganda and false information about the situation in Laos aimed at confusing world opinion and stating that the United States is using Laos as a military base; and (4) the fact that the military outbreak in Laos has followed conferences in Moscow and Peiping between Ho Chi Minh and Soviet and Chinese Communist leaders and also conferences in Moscow between two members of the North Vietnam Politburo and Deputy Prime Minister Anastas Mikoyan.

"The latest attack upon the Lao Army in Sam Neua Province has resulted in an appeal by the Royal Lao Government for United Nations assistance. It is appropriate that this matter be brought to the world's attention. It is obvious that any further augmentation of the invading force or continued material support thereof by Communists in North Vietnam will require a major change in the nature and magnitude of the royal Lao Government's need for support. The United States is confident that the free world would recognize such a new danger to peace and would take the action necessary. For its part the United States supports that view."

Mr. JAVITS. Mr. President, we may have another Korea right on our doorstep, facing us right now.

which have rejected also plans for extensive development programs for resettlement. Syria and Lebanon, on their part, have obliged UNWRA to transport supplies for these unfortunates by railroad rather than, less expensively, by truck.

Arab refugees constitute almost half the population in Jordan, about 517,388 being there, with 221,058 in the Gaza Strip, 102,586 in Lebanon, and 92,524 in Syria, with an annual net population increase of 25,000 to 30,000 due to a continuing high birth rate. It is clear that the problem must be settled now.

Israel has evidenced willingness to negotiate compensation for Arab properties, notwithstanding its heavy counterclaims against the Arab States, which ejected 300,000 Jews since 1948 and deprived them of their property.

The problem of land could be quickly settled by the Arab governments, particularly Iraq, which has the resources in land and water and is underpopulated, and whose new revolutionary regime we have just recognized. A major effort by the United Nations and the United States to enlist its participation could prove most fruitful at this time.

I believe that Israel will take a reasonable number of the refugees suitable for repatriation and giving consideration to the dangers to its security by any fifth column. Also, Israel has already repatriated 25,000 to 30,000 Arabs, and in reuniting Arab families and by other means, it is estimated as many as 100,000 former Arab refugees are now located in Israel.

Obviously, the resettlement of the Arab refugees is not a complete policy for the Mideast, but it does represent an initiative upon which the other elements can be built. They include:

First a clear guarantee of Mideast borders against direct or indirect aggression, preferably under U.N. auspices. This would include also the U.N. guarantee of freedom of transit through the Suez Canal.

Second. A suitably adapted and adequately financed Mideast regional economic plan based on self-help and mutual cooperation, and started with those who choose to cooperate even if this does not include all the Arab States. President Eisenhower in his August 13, 1958, address before the U.N. General Assembly, proposed the establishment of such an Arab Development Bank on a regional basis to accelerate progress in such fields as industry, agriculture, water supply, health and education. It would provide loans to the Arab States as well as the technical assistance required in the formulation of development projects, would be managed by the Arab States themselves and would serve also to attract needed private investment funds to the area as well. Such an Arab Development Bank, I believe, should not only include the Arab nations originally contemplated—United Arab Republic, Jordan, Iraq, Saudi Arabia, Lebanon, Yemen, and Kuwait—but study and consideration should be given to include also such other nations as Iran, Libya, the Sudan, Tunisia, Turkey, Afghanistan, Morocco, Somalia, and Ethiopia.

Third. Broad-scale activities in person-to-person exchanges and the establishment of technical training institutes and other institutions in the Middle East.

One of the primary aspects of an initiative by the United States would be in respect of a regional economic plan for the area if this is taken up and implemented. There is every assurance that other governments will cooperate in the financing of such a plan, notably the United Kingdom, Italy, and Germany have already indicated their interest, and so has the International Bank for Reconstruction and Development.

It would be essential also to bring into Mideast economic development and the resettlement of the Arab refugees the oil revenues of the Mideast and the oil companies which pay them. These oil revenues aggregated \$1.026 billion in 1957 and are an indispensable element of any Mideast program.

The argument is made that the Arab States might not work with us due to Arab nationalist pressure, but in efforts in regional economic development we are not confined to the Arab States alone but should include the economic region involved, leaving the problems of an economic bridge to Israel to be solved for the present through the United Nations. The leaders of these countries outside the Arab bloc have also led their peoples out of colonial status yet with acceptance of their responsibilities in the civilized world and without seeking to build personal power hegemonies.

Settlement of the Suez Canal dispute, Mr. President, is, I believe, the first great step at this time. For a guarantee of a freedom of transit through that international waterway by the United Nations would clearly stake out the interest of the world community in taking an active role in assuring peace in the strife-ridden Middle East. As a principal member of the International Bank and a leader in the United Nations, the United States can assume the leadership position in seeing that this is done.

Last week 13 members of the House Committee on Banking and Currency addressed a communication to the World Bank appealing to that body to withhold the loan for improvements to the canal until the Suez Canal is recognized as an international artery without limitations or restrictions, thus concurring with the sentiments previously expressed by members of this body to which I have referred. The International Bank surely can do no less than this, for it has within its power, as the lender of important funds highly desired by the United Arab Republic, an instrument to help bring about that compliance with international law which we all seek. A key to the peace lies within our hands; let us grasp it.

Mr. President, I close with a word for which I hope perhaps I shall be forgiven by all Senators present. I express the hope and I make the prayer, as one new Member of this body—and I am relatively new, since this is only my third year in the Senate—that the face of the Senate which is turned to the people of the United States and to the people of the

world, especially in hours which are very likely to see the adjournment of the Congress, be the best, the most constructive, the most invigorating and the finest face which we can turn to them. I hope and pray we will do our utmost to subordinate our personal desires or our personal irritations, or even our personal pet projects, bearing in mind that no matter what we debate, whether it be highways, Laos, the Mideast, or some inconsequential bill, we will not be judged on that, but we will be judged on our total overall performance, on the fact that we proceed with deep consciousness of the prestige of our country, which is on the line in this body—yes, Mr. President, tonight as never before in the great history of our country.

I hope, Mr. President, I shall be forgiven and understood for uttering these words. I am not critical of anyone concerned. I know every Senator is trying to do his best for our country and for the world. Sometimes it is helpful if we look at things in that light, bearing in mind the fact that we are not only in a fish bowl for the United States, but also in a fish bowl for the whole free world.

FEDERAL-AID HIGHWAY ACT OF 1959

The Senate resumed the consideration of the bill (H.R. 8678) to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

Mr. NEUBERGER and Mr. MORSE addressed the Chair.

The PRESIDING OFFICER. The junior Senator from Oregon is recognized.

Mr. NEUBERGER. Mr. President, I have decided to withdraw my amendment to the amendment of the distinguished Senator from Tennessee [Mr. GORE] at this time, because of the technical difficulties involved in synchronizing my proposal with the language in the amendment of the Senator from Tennessee. I have consulted on this matter with learned legal counsel, and they feel it is not possible effectively to dovetail my proposal with that of the Senator from Tennessee [Mr. GORE].

In order that the issue before the Senate may remain as clear cut and as forthright as possible, I hope the Senate will proceed to an early vote on the amendment offered by the Senator from Tennessee [Mr. GORE].

Should the Senate approve the Gore amendment, it is my understanding there will be offered another amendment, I believe by the senior Senator from Pennsylvania [Mr. CLARK], which will be designed to eliminate a deficit which would be created by the diversion of the automobile excise taxes from the general fund to the highway trust fund, which deficit will not be entirely made up by a repeal of the credit against income tax for dividends received by individuals.

A second amendment, which I am informed will be offered, will deal with the withholding at the source of taxes on dividends and interest, and the revenue

to be realized from those items has been estimated to cover more than the general fund deficit.

If the Senate should fail to adopt the latter proposal, it is my present intention to offer again an amendment to increase, by 1 cent, the Federal tax on gasoline and other motor fuels, so as to cover the deficit.

In conclusion, I wish to say it is my opinion that not only should these tax loopholes be closed, but we should face up to our fiscal responsibilities by increasing the Federal gasoline tax 1 cent, or perhaps even 1½ cents.

Mr. GORE and Mr. JAVITS addressed the Chair.

Mr. NEUBERGER. I yield to the Senator from Tennessee.

Mr. GORE. I appreciate the generous action of the able Senator from Oregon, because this will permit the Senate to make a simple choice, a clear-cut choice. The amendment which the Senator has in mind can be more readily drafted as an additional section to the bill, rather than as an amendment to my amendment.

Mr. NEUBERGER. The Senator, I am sure, knows of my desire to cooperate with him on these very vital issues.

Mr. JAVITS and Mr. LAUSCHE addressed the Chair.

Mr. NEUBERGER. I yield to the Senator from New York.

Mr. JAVITS. Mr. President, I simply want to send an amendment to the desk for printing under the rule.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the desk.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. NEUBERGER. I am willing to yield the floor, unless the Senator wants to discuss what I have recently said.

Mr. MORSE and Mr. LAUSCHE addressed the Chair.

The PRESIDING OFFICER. The senior Senator from Oregon is recognized.

THE PARLIAMENTARY SITUATION, VISIT BY PREMIER KHRUSHCHEV TO THE UNITED STATES, AND SINE DIE ADJOURNMENT

Mr. MORSE. Mr. President, I should like to have the staff notify the majority leader I am about to make some remarks in which he may be interested. I have explained to the majority whip that as soon as I got the floor in my own right I should like to have the majority leader notified.

Mr. President, I have been waiting for some hours to take the floor to discuss briefly my position in regard to the parliamentary situation which confronts the Senate. I think I owe it to the Senate and I certainly owe it to myself and to my friends to make a statement as to my position in regard to the parliamentary situation which confronts us and my part in it. I shall discuss it from the standpoint of three general topics: First, my reason as to why I do not think the Senate should adjourn sine die by September 12; second, my position in regard to the parliamentary situation in which

I found myself yesterday with respect to protecting my own parliamentary rights in the Senate; third, my views in regard to what we ought to do with respect to a legislative program before we adjourn.

THE KHRUSHCHEV VISIT

One of the reasons, Mr. President, why I think the Senate should not adjourn sine die September 12 is that I think it should be in session at least for a few days after Khrushchev arrives in the United States. I am sorry, but it is my feeling—and I think there is reason to support my feeling—that one of the primary reasons for the sudden speedup in Senate business in recent days is that there is a strong movement on to avoid having the Congress in session when Khrushchev arrives in the United States. Roscoe Drummond in a column today expressed a view with which I completely agree when he said:

Congress certainly ought not to run for cover during Mr. Khrushchev's presence in Washington by rushing to adjourn before it finishes its business.

Mr. President, I ask unanimous consent that the entire column by Roscoe Drummond, appearing in the Washington Post this morning, be printed at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

CONGRESS AND MR. K.—NO PRECEDENT OR PROTOCOL CALLS FOR INVITATION

(By Roscoe Drummond)

Before the debate gets needlessly off the rails, let's get out the facts on this question of Congress inviting Premier Khrushchev to address a joint session.

I find a lot of people, in Government and out, who believe and strongly urge that Congress should invite Mr. Khrushchev in the conviction: (1) That the invitation is required by protocol; (2) that Congress always invites heads of government to address it; (3) that not to invite him would be discourteous discrimination.

If you were to check these three statements true or false, what would your answer be? The truth is that they are all false.

There are no protocol requirements whatsoever about inviting foreign dignitaries to speak before Congress—either presidents, prime ministers, kings, queens, shahs, or governors general. The initiative is with Congress. The decision is with Congress. The precedents set no pattern of policy whatsoever.

Far from inviting all visiting chiefs of state or heads of government to address it, Congress over the past decade has extended invitations to fewer than half. I have just checked the array of the top foreign statesmen who came to the United States from 1947 through 1958. There were 88 such visits; a few came more than once but only 34 of them addressed either the House or Senate or joint session.

The precedents are so diverse as to make nothing automatic. Just look at a few of them: The Prime Minister of France, Guy Mollet, was invited to address a joint session of Congress. The Prime Minister of Great Britain, Harold Macmillan, was only invited to address the Senate. The President of Brazil addressed Congress; the President of Chile didn't. The Queen of the Netherlands addressed Congress. The King of Greece did not.

Certainly past practice shows no pattern of policy to be followed automatically. Then, would there be discourtesy or discrimination

if Congress did not invite Premier Khrushchev?

There is actually no legislation and no established procedure by which Congress determines whom it shall invite to address it. The chief parliamentarian of the Senate says that the custom has been for the decision to be made by the leadership. That would mean a decision by the majority and minority leaders of the House and the Speaker, and the majority and minority leaders of the Senate and the President of the Senate.

But what happens if there is disagreement among the congressional leaders? Does the issue go to the floor of the House and Senate if there is a tie vote among the leaders or even if there is only one dissent? There is no rule and no precedent to govern this situation, but it can, I am sure, be taken for granted that there will be no invitation if any of the leaders seriously object. A harsh controversial floor debate is wanted by nobody.

I cannot myself escape these conclusions: That neither protocol nor precedent nor courtesy requires Congress to invite Mr. Khrushchev to speak.

That Congress certainly ought not to run for cover during Mr. Khrushchev's presence in Washington by rushing to adjourn before it finishes its business.

That, since the Soviet Premier was invited to make a public tour of the United States and to have private talks with the President, there is no reason why the precious, prized platform of Congress should be thrust into his hands. Let's reserve that for those who believe in representative government, not give it to those who want to destroy it.

Mr. MORSE. Mr. President, as a member of the Foreign Relations Committee, I believe that any planned congressional walkout on Khrushchev will be interpreted in many parts of the world where we are trying to win men's minds to the cause of freedom, as an affront not only against Russia, but against our own professed ideals of peace.

We claim to be searching for honorable ways of establishing permanent peace in the world. We represent to the world that we are willing to give reasoned judgment to the representations of the leaders of people of other nations such as Russia, who may lead us into war, if an acceptable basis for peace is not worked out in our time. I hold to the view that there is not much time left.

NATIONAL INTEREST SERVED BY CONGRESS REMAINING IN SESSION

Congress, along with the President, has the responsibility to help mold a program of peace through a system of world justice by law. Congress has a duty to the American people to carry out its responsibility, under the advice and consent clause of the Constitution, to help promote a better understanding with Russia and other potential enemies.

Democratic institutions are worth looking at. The American people have the right to be proud of their democratic institutions. Congress is one of the great trio of the independent branches of democratic government which help distinguish democratic self-government from a totalitarian politboro.

We should not run out on the Khrushchev visit. To the contrary, we should proceed between now and then with a regular legislative program unscarred by

AMENDMENT TO AGREEMENT FOR COOPERATION
BETWEEN THE GOVERNMENT OF THE UNITED
STATES OF AMERICA AND THE GOVERNMENT
OF ISRAEL CONCERNING CIVIL USES OF
ATOMIC ENERGY

The Government of the United States of America and the Government of Israel, desiring to amend the Agreement for Cooperation between the Government of the United States of America and the Government of Israel Concerning Civil Uses of Atomic Energy, signed at Washington on July 12, 1955 (hereinafter referred to as the "Agreement for Cooperation"), agree as follows:

ARTICLE I

Article I of the Agreement for Cooperation is amended to read as follows:

"A. Subject to the limitations of Article V, the Parties hereto will exchange information in the following fields:

"1. Design, construction and operation of research reactors and their use as research, development, and engineering tools and in medical therapy.

"2. Health and safety problems related to the operation and use of research reactors.

"3. The use of radioactive isotopes in physical and biological research, medical therapy, agriculture, and industry.

"B. The application or use of any information or data of any kind whatsoever, including design drawings and specifications, exchanged under this Agreement shall be the responsibility of the Party which receives and uses such information or data, and it is understood that the other cooperating Party does not warrant the accuracy, completeness, or suitability of such information or data for any particular use or application."

ARTICLE II

Article II of the Agreement for Cooperation is amended to read as follows:

"A. The Commission will sell or lease, as may be agreed, to the Government of Israel, uranium enriched up to 20 percent in the isotope U^{235} , except as otherwise provided in paragraph C of this Article, in such quantities as may be agreed, in accordance with the terms, conditions, and delivery schedules set forth in contracts, for fueling defined research reactors, materials testing reactors, and reactor experiments which the Government of Israel, in consultation with the Commission, decides to construct or authorize private organizations to construct and which are constructed in Israel and as required in experiments related thereto; provided, however, that the net amount of any uranium sold or leased under this Article during the period of this Agreement shall not at any time exceed 10 kilograms of the isotope U^{235} contained in such uranium. This net amount shall be the gross quantity of such contained U^{235} in uranium sold or leased to the Government of Israel during the period of this Agreement less the quantity of such contained U^{235} in recoverable uranium which has been resold or otherwise returned to the Government of the United States of America during the period of this Agreement or transferred to any other nation or international organization with the approval of the Government of the United States of America.

"B. Within the limitations contained in paragraph A of this Article, the quantity of uranium enriched in the isotope U^{235} transferred by the Commission under this Article and in the custody of the Government of Israel shall not at any time be in excess of the quantity necessary for the full loading of each defined reactor project which the Government of Israel or persons under its jurisdiction construct and fuel with uranium received from the United States of America, as provided herein, plus such additional quantity as, in the opinion of the Commission, is necessary to permit the efficient and continuous operation of such reactors or reactor experiments while replaced fuel is

radioactively cooling, is in transit, or, subject to the provisions of paragraph E of this Article, is being reprocessed in Israel, it being the intent of the Commission to make possible the maximum usefulness of the material so transferred.

"C. The Commission may, upon request and in its discretion, make all or a portion of the foregoing special nuclear material available as uranium enriched up to 90 percent in the isotope U^{235} for use in research reactors, materials testing reactors, and reactor experiments, each capable of operating with a fuel load not to exceed 8 kilograms of the isotope U^{235} contained in such uranium.

"D. It is understood and agreed that although the Government of Israel may distribute uranium enriched in the isotope U^{235} to authorized users in Israel, the Government of Israel will retain title to any uranium enriched in the isotope U^{235} which is purchased from the Commission at least until such time as private users in the United States of America are permitted to acquire title in the United States of America to uranium enriched in the isotope U^{235} .

"E. It is agreed that when any source or special nuclear material received from the United States of America requires reprocessing, such reprocessing shall be performed at the discretion of the Commission in either Commission facilities or facilities acceptable to the Commission, on terms and conditions to be later agreed; and it is understood, except as may be otherwise agreed, that the form and content of any irradiated fuel shall not be altered after its removal from the reactor and prior to delivery to the Commission or the facilities acceptable to the Commission for reprocessing.

"F. Special nuclear material produced in any part of fuel leased hereunder as a result of irradiation processes shall be for the account of the Government of Israel and after reprocessing as provided in paragraph E of this Article, shall be returned to the Government of Israel, at which time title to such material shall be transferred to that Government, unless the Government of the United States of America shall exercise the option, which is hereby granted, to retain, with appropriate credit to the Government of Israel, any such special nuclear material which is in excess of the needs of Israel for such material in its program for the peaceful uses of atomic energy.

"G. With respect to any special nuclear material not subject to the option referred to in paragraph F of this Article and produced in reactors fueled with material obtained from the United States of America which is in excess of the need of Israel for such material in its program for the peaceful uses of atomic energy, the Government of the United States of America shall have and is hereby granted (a) a first option to purchase such material at prices then prevailing in the United States of America for special nuclear material produced in reactors which are fueled pursuant to the terms of an agreement for cooperation with the Government of the United States of America, and (b) the right to approve the transfer of such material to any other nation or international organization in the event the option to purchase is not exercised.

"H. Some atomic energy materials which the Commission may provide in accordance with this Agreement are harmful to persons and property unless handled and used carefully. After delivery of such materials to the Government of Israel the Government of Israel shall bear all responsibility, in so far as the Government of the United States of America is concerned, for the safe handling and use of such materials. With respect to any source or special nuclear material which the Commission may, pursuant to this Agreement, lease to the Government of Israel or to any private individual or private

organization under its jurisdiction, the Government of Israel shall indemnify and save harmless the Government of the United States of America against any and all liability (including third party liability) for any cause whatsoever arising out of the production or fabrication, the ownership, the lease, and the possession and use of such source or special nuclear material after delivery by the Commission to the Government of Israel or to any authorized private individual or private organization under its jurisdiction."

ARTICLE III

Article III of the Agreement for Cooperation is amended to read as follows:

"A. Subject to the availability of supply and as may be mutually agreed, the Commission will sell or lease, through such means as it deems appropriate, to the Government of Israel or authorized persons under its jurisdiction such reactor materials, other than special nuclear materials, as are not obtainable on the commercial market and which are required in the construction and operation of research reactors in Israel. The sale or lease of these materials shall be on such terms as may be agreed.

"B. Materials of interest in connection with defined research projects related to the peaceful uses of atomic energy and under the limitations set forth in Article V, including source materials, special nuclear materials, byproduct materials, other radioisotopes, and stable isotopes, will be sold or otherwise transferred to the Government of Israel by the Commission for research purposes other than fueling reactors and reactor experiments in such quantities and under such terms and conditions as may be agreed when such materials are not available commercially."

ARTICLE IV

Article VI of the Agreement for Cooperation is amended to read as follows:

"A. The Government of the United States of America and the Government of Israel emphasize their common interest in assuring that any material, equipment, or device made available to the Government of Israel pursuant to this Agreement shall be used solely for civil purposes.

"B. Except to the extent that the safeguards provided for in this Agreement are supplanted, as provided in Article VI bis, by safeguards of the International Atomic Energy Agency, the Government of the United States of America, notwithstanding any other provisions of this Agreement, shall have the following rights:

"1. With the objective of assuring design and operation for civil purposes and permitting effective application of safeguards, to review the design of any (i) reactor, and (ii) other equipment and devices the design of which the Commission determines to be relevant to the effective application of safeguards, which are to be made available to the Government of Israel or persons under its jurisdiction by the Government of the United States of America or any person under its jurisdiction, or which are to use, fabricate, or process any of the following materials so made available: source material, special nuclear material, moderator material, or other material designated by the Commission;

"2. With respect to any source or special nuclear material made available to the Government of Israel or any person under its jurisdiction by the Government of the United States of America or any person under its jurisdiction and any source or special nuclear material utilized in, recovered from, or produced as a result of the use of any of the following materials, equipment, or devices so made available: (i) source material special nuclear material, moderator material, or other material designated by the Commission, (ii) reactors, (iii) any other equip-

ment or device designated by the Commission as an item to be made available on the condition that the provision of this subparagraph B 2 will apply, (a) to require the maintenance and production of operating records and to request and receive reports for the purpose of assisting in ensuring accountability for such material; and (b) to require that any such material in the custody of the Government of Israel or any person under its jurisdiction be subject to all of the safeguards provided for in this Article and the guarantees set forth in Article VII;

"3. To require the deposit in storage facilities designated by the Commission of any of the special nuclear material referred to in subparagraph B2 of this Article which is not currently utilized for civil purposes in Israel and which is not purchased or retained by the Government of the United States of America pursuant to Article II, paragraph F and paragraph G(a) of this Agreement, transferred pursuant to Article II, paragraph G(b) of this Agreement, or otherwise disposed of pursuant to an arrangement mutually acceptable to the Parties;

"4. To designate, after consultation with the Government of Israel, personnel who, accompanied, if either Party so requests, by personnel designated by the Government of Israel, shall have access in Israel to all places and data necessary to account for the source and special nuclear materials which are subject to subparagraph B2 of this Article to determine whether there is compliance with this Agreement and to make such independent measurements as may be deemed necessary.

"5. In the event of non-compliance with the provisions of this Article, or the guarantees set forth in Article VII, and the failure of the Government of Israel to carry out the provisions of this Article within a reasonable time, to suspend or terminate this Agreement and require the return of any materials, equipment, and devices referred to in subparagraph B2 of this Article;

"6. To consult with the Government of Israel in the matter of health and safety.

"C. The Government of Israel undertakes to facilitate the application of the safeguards provided for in this Article."

ARTICLE V

The following new Article is added directly after Article VI of the Agreement for Cooperation:

"ARTICLE VI BIS

"The Government of the United States of America and the Government of Israel affirm their common interest in the International Atomic Energy Agency and to this end:

"(a) The Parties will consult with each other, upon the request of either Party, to determine in what respects, if any, they desire to modify the provisions of this Agreement. In particular, the Parties will consult with each other to determine in what respects and to what extent they desire to arrange for the administration by the Agency of those conditions, controls, and safeguards, including those relating to health and safety standards, required by the Agency in connection with similar assistance rendered to a cooperating nation under the aegis of the Agency.

"(b) In the event the Parties do not reach a mutually satisfactory agreement following the consultation provided for in subparagraph (a) of this Article, either Party may by notification terminate this Agreement. In the event this Agreement is so terminated, the Government of Israel shall return to the Commission all source and special nuclear materials received pursuant to this Agreement and in its possession or in the possession of persons under its jurisdiction."

ARTICLE VI

This Amendment shall enter into force on the day on which each Government shall have received from the other Government

written notification that it has complied with all statutory and constitutional requirements for the entry into force of such Amendment and shall remain in force for the period of the Agreement for Cooperation.

In witness whereof, the undersigned, duly authorized, have signed this amendment.

Done at Washington, in duplicate, this 20th day of August 1959.

For the Government of the United States of America:

G. LEWIS JONES,
Assistant Secretary of State for Near
East and South Asian Affairs.

JOHN H. WILLIAMS,
Acting Chairman, U.S. Atomic Energy
Commission.

For the Government of Israel:

YAACOV HERZOG,
Chargé d'Affaires ad interim, Embassy
of Israel.

Certified to be a true copy:

WILLIAM M. FULLERTON,
Chief, Agreement and Liaison Branch,
Division of International Affairs, U.S.
Atomic Energy Commission.

FEDERAL-AID HIGHWAY ACT OF 1959

The Senate resumed the consideration of the bill (H.R. 8678) to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Tennessee.

Mr. KUCHEL. Mr. President—

Mr. GORE. Mr. President, I ask for a vote on my amendment.

Mr. KUCHEL. Mr. President, in 1956 Congress embarked upon the development of the Interstate Highway System. The program provided for the payment from the Federal Treasury of 90 percent of the cost of constructing 40,000 miles of high-speed, limited-access highways in America. The gasoline tax and other highway users' taxes were increased, in order to provide funds with which to complete the system.

In 1958, Congress was faced with the problem of speeding up construction of the Interstate Highway System; and, for the second time, legislation in that field was enacted. Many of the States speeded up their process of providing for the plans, the specifications, and the actual construction of the Interstate System within their borders.

Meanwhile, the cost of constructing highways rose prodigiously; and what in 1956 was contemplated as a \$25 billion undertaking, is now contemplated as a \$36 billion undertaking.

So far, the theory behind the construction of the Interstate Highway System has been "pay as you go."

In January of this year, it was clearly possible to demonstrate that the Federal Treasury would not have sufficient funds to permit the program to continue. So, in January, the President, in addressing the Congress, asked for a 5-year 1½-cent a gallon increase in the Federal gasoline tax.

No action was taken.

In June, a courageous Member of the Senate, the junior Senator from Oregon [Mr. NEUBERGER], said Congress needed to provide the additional funds the President had requested; and the junior

Senator from Oregon asked the Members of the Senate to approve an amendment which provided for a 1½-cent tax increase.

Regrettably, the Senate refused to accept his recommendation.

Meanwhile, the Members of the House of Representatives felt they should not approve any increase at all. I think it is to the infinite credit of the leadership of the House of Representatives and the great majority of the membership of the House of Representatives that only a few days ago a bill was passed providing for a 1-cent Federal highway tax increase for the next 22 months.

Here is what a prominent Member of the majority party in the House said at the time the bill was taken up. I quote from the statement of the distinguished Representative, Mr. THORNBERRY, on page 16463 of the RECORD:

All of us will agree that we never like to impose taxes. We all look forward to the day when we can reduce taxes. We cannot, under the present fiscal condition of our Government, call upon the Federal Government to continue this program at its present level without providing further necessary revenue to finance it. We must have a sound fiscal program if we are to continue to meet the highway needs of this country and to be certain that we do not cripple the economy of our Nation by causing this great program to come to a complete halt.

To which I am proud to say as a Member of Congress, "Amen."

The President of the United States said:

I must again express my objection to proposals that would, in the absence of a foreseeable budget surplus, divert receipts from the general fund of the Treasury that are collected from various excise taxes on automobiles. The transfer of these receipts to the highway trust fund would only shift the fiscal problem from the highway trust fund to the general fund, which is already in precarious balance.

The distinguished Senator from Tennessee, a member of the Finance Committee, offered the amendment now pending before us in the Finance Committee. The Finance Committee voted down his proposal, and, to its infinite credit, sent to the Senate the House bill which is before us. It is simply beyond my capacity to understand how we can justify taking money out of one pocket to try to underwrite part of the cost of a great undertaking, and that is precisely what my friend from Tennessee is trying to do in his amendment.

Mr. CANNON. Mr. President, will the Senator yield?

Mr. KUCHEL. Not now. The Senator from Tennessee is going to take money which now goes into the general fund and say, "We are going to use some of this for a specific purpose."

The Secretary of the Treasury will have one more burden as the only result of that approach. He will have to borrow that much more money in order to pay the prodigious costs of the Government of the United States.

It is true that the Senator from Tennessee also asked us to repeal the 4 percent dividend exclusion. Several years ago when the subject was under debate in the Senate Chamber originally, I tried to study the background of the idea of

double taxation on dividends. I went back to the days when the late great Franklin D. Roosevelt was President. I believe I remember with accuracy during his administration some of his associates suggested that double taxation was morally wrong. However, this ought not to be the place to debate that sort of proposition:

Mr. President, the pending question is and ought to be, What is the Senate going to do with respect to the interstate highway problem now? That is the question before the Senate, and I think it is completely irrelevant for my friend from Tennessee to say now, "Let us take the dividend exclusion law and wipe it out and provide that the moneys which its repeal would bring into the Treasury shall go back into the general fund." I wondered how much money that would amount to, and I asked the staff today to get a letter from the Treasury Department covering the point. I will read it. It is very short:

DEAR SENATOR: This is in response to your inquiry about the revenue effect of repealing the income tax credit for dividends received by individuals which is now provided in section 34 of the Internal Revenue Code. We estimate that repeal of the dividends-received credit would have the effect in a full year of increasing revenues by \$310 million. This assumes dividends and incomes at the levels prevailing in the calendar year 1959. If the repeal were made effective July 1, 1959, and extended to June 30, 1961, it is estimated that revenues would be increased by \$620 million, as follows:

By \$248 million in fiscal 1960—

That is the year in which we are borrowing—

by \$310 million in fiscal 1961, and, by \$62 million received in the fiscal year 1962.

Sincerely yours,

FRED C. SCRIBNER,
Under Secretary of the Treasury.

I believe it is fair to say that the effect of the amendment of the Senator from Tennessee would be to put back into the general fund by the repeal of the proposed dividend exclusion about half the money he takes out of it in order to provide revenues for the interstate highway construction program.

Mr. President, I am not a member of the Finance Committee. I am from a State which is interested in the construction of the Interstate Highway System. I believe I know a little something about the feelings of the people who use the Interstate Highway System and who look forward to using it more, and it seems to me they would rather have that system completed on the basis of the recommendations of the administration, on the basis of what the House of Representatives has now agreed ought to be done, and on the basis of what the Senate Finance Committee likewise agrees ought to be done. Let us continue to the greatest extent possible a pay-as-you-go basis on which this legislation will be carried forward and all the unhappy, melancholy and foreboding thoughts about inflation and the responsibilities of the Government to borrow, and borrow additional billions of dollars at least will be alleviated by men having the courage to stand up here and

vote, as my Democratic friend in the House said, for an additional temporary increase in the gas tax.

I yield to the able Senator from New Mexico.

Mr. ANDERSON. We studied the subject of the amendment in the Finance Committee very carefully. Does the Senator think the House of Representatives enjoyed voting an increase in the gasoline tax?

Mr. KUCHEL. Of course not.

Mr. ANDERSON. Does the Senator think the members of the Finance Committee who voted for a 1-cent increase in the gasoline tax enjoyed so voting?

Mr. KUCHEL. Of course not.

Mr. ANDERSON. Does the Senator not recognize that something must be done which will be effective in the passage of a dividend credit and the termination of that will probably not be effective in the present temper of the House? I say quite frankly I am one of those who voted to end the dividend credit. If the rollcall vote is in the Senate Chamber, it will show I voted for it, and I shall vote for it again. But I do not believe this is the place to do it, because it would place the two Houses of Congress in conflict with each other. The Senator knows the extreme difficulty with which Speaker RAYBURN was faced when he tried to put through a program which was satisfactory. It called for extraordinary efforts on his part.

If we now reverse it by the passage of this dividend credit, he undoubtedly knows that we shall be in a conference which will last a long, long time.

We have just been through a conference on labor legislation that lasted a very, very long time; and if we go on to this one, we shall be here a long time trying to straighten it out.

I am glad the able Senator from California points out that this seems to be the sensible thing to do. I do not enjoy it a bit more than he does. I have communications from the gasoline people of my State, distributors of gasoline, pleading against the 1-cent tax. I have written letters to everyone of them saying, "I think you are right. We should not do it. But we have to do it to keep the road program going."

I was the first administrator of the emergency school tax in the State of New Mexico. It was passed in 1933. It was only going to last for 2 years. The emergency is still on. It is still there. There was financial difficulty. Nobody relishes the fact that it had to be done in order to keep the revenues of that State going.

This is a situation where the road program is of great importance to the States, where it is vital to the life of the States, where it is making a fine contribution to the States, where we can get into an impasse if we fail to act.

The Finance Committee took those facts into consideration. I watched the votes of the men when the roll was being called. I know how some of the individual Members felt. They were committed against an increase in taxes. They were committed in their own minds against a 1-cent tax. But they voted for

the only thing that will make it possible for the bill to be passed.

If the Senate tonight accepts the alternative proposed by the able Senator from Tennessee, we shall be in a bad situation, in my opinion, because we shall be a long, long way from agreement between the two Houses.

Mr. KUCHEL. I am most grateful for what the able Senator from New Mexico has said. There, from the lips of a man who is a member of the majority, who is a distinguished member of the Finance Committee, who thus may be presumed to be an expert in this field, has been demonstrated abundantly the wisdom of the action which the committee took and which the Senate ought to follow here tonight. The people of the American Union will applaud the courage this Senate has shown if it joins the House of Representatives in approving the House-passed bill.

Mr. GORE. Mr. President, will the Senator yield?

Mr. KUCHEL. I yield.

Mr. GORE. The junior Senator from Tennessee has reason to believe that if a repeal of the dividend tax credit were resubmitted to the House of Representatives at this time, the action of that body might be different from its action on a prior occasion.

The Senate has a very clear choice, that of continuing the highway program through a levy of an additional tax on every gallon of gasoline that every man, woman, or child in this country may buy, or repealing the tax favoritism now accorded income from dividends.

I should like, however, to turn to a different point. This is something I think the Senate should consider. If the Senator will be so kind as to yield, I should like to read a little of the colloquy which begins at the bottom of page 20 of the hearings held yesterday:

Senator GORE. Mr. Tallamy, your problem has two distinct parts, does it not? One, the lack of funds to meet commitments and obligations falling due within the present fiscal year?

Mr. TALLAMY. Yes, sir.

Senator GORE. And two, the making of apportionments for use and obligation of the States for future years?

Mr. TALLAMY. Yes; that is right.

Senator GORE. And each of those two major parts is subdivided, are they not, into the interstate highway program, on the one hand, and the ABC, the primary, secondary, and urban highways, on the other.

Mr. TALLAMY. That is right.

Senator GORE. I would like first to discuss problem No. 1, to which little reference has been made thus far.

What are the obligations falling due within the fiscal year, or the amount of obligations falling due within the present fiscal year which you are unable to meet without additional legislation or appropriation?

Mr. TALLAMY. Would you ask me that question again?

Senator GORE. What is the amount, what is the total of the obligations falling due within the present fiscal year, 1960, for which you would be in default without either additional legislation or appropriation?

Mr. TALLAMY. Divided into two parts, we require an expenditure this year of \$1.11 billion for the ABC program, and \$2.25 billion for the interstate program.

Senator GORE. You are giving me now the total commitments?

Mr. TALLAMY. The result of the total commitments. This is the result.

Senator GORE. The figure I am asking you for is the amount of default on the trust fund, if I must use that word, without additional legislation or appropriation, or a combination of the two.

Mr. TALLAMY. I understand: \$400 million.

Is the able junior Senator from California hearing that?

Mr. KUCHEL. He is.

Mr. GORE. I continue reading:

Senator KERR. That is the deficit for the current fiscal year which you forecast?

Mr. TALLAMY. Yes, sir.

Senator GORE. I thought you had estimated it to be \$493 million.

Mr. TALLAMY. \$490 million is what I have on this chart. Maybe it is \$493 million.

One of his aides whispered to him, and then he said:

The interest is \$3 million, I am told.

Senator GORE. Then as a matter of fact, it is \$493 million?

Mr. TALLAMY. Yes.

Senator GORE. Now, how much additional revenue within the fund will be provided by H.R. 8678, within the present fiscal year?

Mr. TALLAMY. \$383 million. That is based on the present legislation being effective on September 1.

Senator GORE. That cannot now be a correct answer.

Mr. TALLAMY. So it will be reduced. My charts are all based on that, but it will be reduced \$50 million, so it will be about \$333 million.

Senator GORE. Then you have a deficit in the fund of \$493 million and the bill before the committee would provide only \$333 million.

Mr. TALLAMY. Yes.

Senator GORE. Then that would leave you in default to the States \$190 million, would it not?

Senator KERR. \$160 million.

Off the record, the Senator from Oklahoma [Mr. KERR] is faster with figures than any of us.

Senator GORE. \$160 million.

Mr. TALLAMY. \$157 million is what the deficit would be at the end of this fiscal year.

The bill before the Senate will leave the Government in default to the Senator's State, to my State, to all the States, to the extent of \$157 million, plus \$3 million in interest.

Mr. KUCHEL. Would the Senator approve raising the 1-cent tax to 1½ cents, as the President recommended, in order to cure that deficit?

Mr. GORE. I would not. But if the Senator is going to try to solve the problem with a gasoline tax, he could not solve it now even with a 1½-cent tax, because there are only 9 months left in this fiscal year. The administration proposed a 1½-cent tax for 12 months. There is now before the Senate a bill providing for only a 1-cent tax for 9 months. I tell the Senator it will not solve the problem either for the present fiscal year or for future apportionments.

Mr. KUCHEL. Let me say this to my friend before I ask the able Senator from New Mexico to comment on this point.

I regret that the Senator from Tennessee has had to leave the Chamber. Let the record so indicate.

I merely wish to say, Mr. President, that I am sure the Senate Finance Committee did not commit an idle act. I am sure the House of Representatives did not commit an idle act.

I should like to ask my able friend from New Mexico, who is a member of the committee, to comment on the question raised by the Senator from Tennessee.

Mr. ANDERSON. First of all, Mr. President, I regret that the Senator from Tennessee is not present in the Chamber, because I should like to say, in compliment to the Senator, that I believe he performed two very fine services during the hearing. The first of these was to focus attention on the system of contract controls which was discussed in the hearing. I think this system is completely repugnant to the desires of most States. The Senator pursued that question vigorously and valiantly. I commended him then and I commend him now.

I also commend the able Senator from Tennessee because of the fact that he developed the actual figures to show that even if the 1-cent gasoline tax increase is passed there would still be a deficit.

I also say that the Committee on Finance is supposed to use judgment, and I think the Committee on Finance did use judgment.

I hope my figures are correct, Mr. President. It was pointed out to us that by December 31, 1959, there would be a deficit in this fund of about \$353 million. There is a bill which is being prepared for submission to the Congress which would permit borrowing from the general fund in order to replenish the trust fund, for a temporary period, and the money would be repaid from collections during the following 6 months.

So while a Member of the Senate might stand up on the floor to say, "All of this does not do anything, because we will have a deficit of \$353 million by December 31," the situation actually is not too bad when we recognize that the collections begin to accumulate during the following few months.

Let us consider the period ending June 30, 1960. By then we will have a deficit, if I am correct, of \$157 million, as the able Senator from Tennessee developed and pointed out for the first time to the committee. I commend the Senator for that, because he brought it into the RECORD.

We then asked the representatives before us what they would do about the matter. They answered, very easily, that they would allow vouchers to accumulate for about 2 or 2½ weeks, until collections could take care of them. But they did not intend to cut down on the funds for any individual State.

The Senator from Oklahoma and the junior Senator from New Mexico were two of those who pressed the witnesses very strongly on that point, as to whether they were going to use the contract controls, which the able Senator from Tennessee had developed for the first time, to cut down by the \$157 million which would be in deficit. The answer came back that it was not their

intention to so do. The witnesses stated they contemplated that there would be collections early in July, and that they would wait 2 or 2½ weeks for sufficient collections to accumulate to wipe out the deficit.

So the Senator from California is correct. The House did not do a futile thing. The Senate would not be doing a futile thing if it passed the bill. The legislative history is clear in the hearings on that point.

Mr. KUCHEL. Again I thank my friend, the able Senator from New Mexico, very much.

Mr. McCARTHY. Mr. President, will the Senator yield?

Mr. KUCHEL. I yield.

Mr. McCARTHY. I should like to have the Senator know that so far as the specific proposal before the Senate at the present time is concerned, a vote was taken in the Committee on Finance. The proposal failed of passage by a vote of 9 to 7. What we have before the Senate now is something which the final action of the committee, by a vote of 9 to 7, rejected in the committee. I think it is quite in order for Senators to consider this proposal as a substitute for the action which the committee itself took.

Mr. KUCHEL. I agree with my friend completely that it is in order to consider the proposal. However, I very much hope the Senate will confirm the wisdom shown not merely by the Senate Committee on Finance, but also by the membership of the House of Representatives as a whole.

Mr. McCARTHY. I did not hear all the remarks of the Senator from Tennessee, but I do not think the Senator said at any point that the action taken by the House or by the Finance Committee of the Senate was futile. I believe the Senator said it was not adequate to meet the full needs of the highway program, as now projected.

Mr. KUCHEL. I thought the burden of the comments of the Senator from Tennessee—and I wrote down a little of the precise wording he used—was that what is before us tonight would not accomplish the job, would leave the States high and dry, and would not fulfill the statutory commitment of the Federal Government to give the States 90 percent of the cost of constructing the interstate mileage and system, so I interpreted the words to have the implication that what was being done so far was futile.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. KUCHEL. I yield to my friend from New Mexico.

Mr. ANDERSON. The Senator from Tennessee was completely correct in saying that approval of a 1-cent increase in the gasoline tax would not completely fill all of the pockets which might need to be filled.

Mr. KUCHEL. That is correct.

Mr. ANDERSON. I assume that is the reason why the President of the United States suggested a 1½-cent increase in the tax, instead of a 1-cent increase.

Mr. KUCHEL. That is correct.

Mr. ANDERSON. Unfortunately the majority of the Finance Committee and the majority of the House of Representatives do not choose to agree with the President of the United States, probably due to the fact that nearly everybody in the individual States objects to any increase in the gasoline tax at all. Therefore, the committee felt it was desirable, if there were to be an increased tax, that the increase be 1 penny instead of 1½ pennies. Nobody claims that 1 penny will do what a penny and a half will do.

Mr. KUCHEL. It is exactly that simple.

Mr. ANDERSON. However, the 1-cent increase will come very close to doing it. It will come sufficiently close to satisfy the financial requirements of the States and to fulfill the apportionments made by the highway department. That is the crucial test. The test is not whether one has all the money one wants, but whether one has enough to see him through, borrowing if he has to just a little bit for the next 2 weeks, knowing that at the end of 22 months the fund will be solvent. That is the test.

Mr. McCARTHY. Mr. President, will the Senator yield to me?

Mr. KUCHEL. I yield.

Mr. McCARTHY. I am sure the Senator from California and the Senator from New Mexico will agree that the \$340 million which would be derived from the cancellation of the present dividend credit would do just as much toward financing the highway program as the \$342 million which would be derived from the imposition of a 1-cent increase in the gasoline tax.

Mr. ANDERSON. If the Senator will yield, that is surely true.

Mr. KUCHEL. Mr. President, I ask unanimous consent that this colloquy may continue.

The PRESIDING OFFICER. Is there objection to the request of the Senator from California? The Chair hears none, and it is so ordered.

Mr. ANDERSON. I agree with that statement except that the \$343 million to be derived from the repeal of the dividend credit would not be anything we could lay our hands on.

Mr. KUCHEL. It would feed the general fund.

Mr. ANDERSON. We have no way of knowing whether the House will or will not agree to that proposal. We have no way of knowing whether the President will or will not sign such a bill.

There is a possibility the President would not agree. Certainly, of all Members of the Senate I am least in a position to speak for the administration, but I have a feeling that if the Senate makes a sincere effort to meet the situation, as I think a one-cent increase in the gasoline tax would do, the bill might be signed. I have no feeling that the dividend credit repeal would pass the House or, if it succeeded in the conference, would be signed into law by the President. Quite obviously, that is not the way to cure the problem, because it would be money taken out of the general revenues designed further, perhaps, to increase prob-

lems later on. I think the result would not be of real help.

Mr. KUCHEL. The Senator is completely correct in his point.

Last month in the special message which the President sent to us he suggested that a 2-year 1-cent-per-gallon increase was a "step in the right direction." What the House has done has been to approve the 1-cent increase for 22 months, which is certainly substantial agreement with that comment on the part of the President.

Mr. BENNETT. Mr. President, will the Senator yield?

Mr. KUCHEL. I yield to my friend from Utah.

Mr. BENNETT. Does the Senator remember that a good many times in the last 2 or 3 years this proposal to repeal the dividend credit has been attached to different bills?

I could be mistaken, but as I remember the action, I do not think the Senate Committee on Finance has ever approved the provision. Despite that, it has come up and has been attached to one bill or another until frankly, so far as the Senator from Utah is concerned, it has become a symbol. It has become a proposal which is brought out on any occasion which will focus attention upon it.

With all due respect to my friend from Tennessee, who has done yeoman service in developing the road program, I regret very much that the Senator would even taken the slightest risk of jeopardizing the road program for the benefit of this symbol.

It seems to me also that this has become a symbol of a kind of ideological difference. The ideology on one side is that the taxation of corporations is double taxation and that the stockholders are entitled to a little relief. This is only token relief of that double taxation. But to many people in this body this little relief has become a symbol of a raid on the Treasury by Wall Street and by the rich stockholders.

I think there should be an opportunity to argue this point out in regard to a bill to amend the income tax laws. Let us have all the questions considered and go over all the ground when we are in that particular field.

To apply it as the solution of the financial needs of a program whose basic philosophy is user taxes seems to me to be dragging this symbol in the wrong situation, and I regret very much that my friend from Tennessee [Mr. GORE] has taken this action to bring forward this particular proposal. It seems to me that it is another case in which the symbol is more important than the solution.

Mr. KUCHEL. I appreciate the comments of my friend from Utah, who graces the Senate Finance Committee and who has indicated once again that the problem involved in the proposed amendment is the sort of problem which ought to be heard in committee on its merits, such as they are, and should not be attached to a highway measure.

Mr. BENNETT. That is my feeling.

Mr. McCARTHY. Mr. President, will the Senator yield?

Mr. KUCHEL. I yield to the Senator from Minnesota.

Mr. McCARTHY. In defense of the Senator from Tennessee, I point out that he is not arguing that this program should not be financed through user taxes. As I understand, he said that user taxes which are now imposed upon automobiles and upon gasoline should be used to support the highway program, and what he proposes in his amendment is to transfer only a part of those funds which are now assessed on the users of the highways and to use them for highway purposes. There is no violation of that principle proposed by the Senator from Tennessee.

The Senator from Utah has also made the point that this is a question of a difference in ideology. I believe that we might make some argument on that basis.

It is a question of whether we wish to impose an additional excise or sales tax on gasoline, or whether we wish to put money into the Treasury through the repeal of a provision which knocks the top off the graduated income tax scale. I shall not argue whether we are trying to tax the rich. I should like to quote figures for 1957, which show that people with under \$3,000 of adjusted gross income filed over 11 million tax returns, and that only 2.1 percent of those taxpayers made a claim regarding dividend credits. The amount of tax saved for each one of these averaged \$18; whereas with respect to people in the \$100,000 to \$150,000 income bracket, 89.3 percent of those who filed in that category saved over \$1,523 per return. When we come to the class above a million dollars, 217 such returns were filed, and 95.4 percent of them claimed dividend credits, with an average saving of \$38,995.

I think this is evidence as to who gains from the dividend credit provision of the income tax laws.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. KUCHEL. I yield to my friend, the Senator from New Mexico.

Mr. ANDERSON. Mr. President, I point out that if we take this money from excise taxes, we help to unbalance the budget by another \$300 million, which I do not believe does any favor to this country in its present situation.

When we talk about ideologies, I believe I may have offended some people yesterday or the day before by suggesting, in connection with the House bill, that if we were in favor of houses, we should vote against classrooms, and that if we were in favor of issues, we should vote for classrooms. It was that simple. We come down to about the same thing in connection with this provision. If we are really in favor of roads, we should vote for the gasoline tax. That will provide the roads. If we are looking for an issue, we should vote for the very popular issue, which is the repeal of the dividend credit to the rich.

Actually, as many poor people use the roads as rich people. A great many of them drive daily to work. They want highways that are good. When they travel across the country, I believe very frankly that they hope to pay for good

highways. Therefore, I believe, knowing what the situation is in the House and what it was with the administration, that if people really desire roads, we shall have to vote for the bill which came from the House and from the Committee on Finance.

Mr. KUCHEL. That is a fine contribution, and I thank the Senator from New Mexico.

Mr. CARROLL. Mr. President, will the Senator yield, so that I may ask a question of the Senator from New Mexico before he leaves the Chamber?

Mr. KUCHEL. Yes; I ask unanimous consent that I may do so.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CARROLL. I should like to ask the Senator from New Mexico some questions, because I have been listening to his discussion with a great deal of interest. I am not a member of the Committee on Finance. I am trying to ascertain what the facts are.

It is my impression that the 1-cent increase in the gasoline tax would yield in the next 9 months' period \$333 million. Is that correct?

Mr. ANDERSON. I believe that is correct. The figure given to us was \$383 million. In testimony before us Mr. Tallamy said that figure would have to be reduced \$50 million because of the lateness in which it would become effective. I made the motion in the committee that this provision become effective October 1, because that is the first practical date.

Mr. CARROLL. This leads me to my second question. For the full 12-month period in 1961, this same tax would yield approximately \$577 million. Is that correct?

Mr. ANDERSON. I think that is correct. I believe \$580 million was the figure, but I will not argue that with the Senator.

Mr. CARROLL. In general terms.

Mr. ANDERSON. Yes, I believe that is absolutely right.

Mr. CARROLL. It is my impression that the money we shall need for 1961 is approximately \$816 million under the present program. The distinguished Senator from New Mexico said something about phasing out this program, and this is what bothers me. Are we talking about a slowdown and a cutback under the 1-cent gasoline increase? I must have this information for my own State.

Mr. ANDERSON. I do not know how the Senator could have heard me say something about phasing out the program.

Mr. CARROLL. I was under the impression that he thought 1 cent would be adequate.

Mr. ANDERSON. I did.

Mr. CARROLL. Why would it be adequate?

Mr. ANDERSON. I say to my friend from Colorado that I do not know where he got his figures. All I can do is take the figures submitted by Mr. Tallamy, which were not challenged by a single person on or off the committee, so far as I know, and which indicated that by December 31 the deficit will be some-

where in the neighborhood of \$380 million, but by June 30 the deficit will be reduced to \$157 million. I believe he said that could be collected in 2½ to 3 weeks in July of 1960, and that thereafter the books would balance for the 1961 fiscal year. I am not the author of those figures. I do not attempt to defend them. I only say they were not subject to challenge, even though Mr. Tallamy was under very vigorous cross-examination by many members of the committee.

Mr. CARROLL. I regret that the junior Senator from Tennessee is not in the Chamber because I think this is of vital importance. I wish to say in response to the Senator from California that the junior Senator from Tennessee had to leave the Chamber on a very important matter. But I want to press this question.

Mr. ANDERSON. May I interrupt to say that before the Senator from Colorado returned to the Chamber I pointed out that the committee was deeply indebted to the able Senator from Tennessee for developing the fact that there was proposed to us something about contract controls. That was the first I had heard of contract controls; and the Senator from Tennessee, aided by the senior Senator from Oklahoma [Mr. KERR], vigorously cross examined not only Mr. Tallamy but the experts for the Bureau of Public Works, and I thought did a creditable job of establishing the fact that something was being proposed that we did not like. So I did nothing but commend the Senator from Tennessee. Through the questioning of the Senator from Tennessee, he developed for the first time the fact that even with a 1-cent tax we would have a deficit during the next fiscal year.

Mr. CARROLL. A deficit, as I understand, of about \$160 million?

Mr. ANDERSON. \$157 million. That is correct.

Mr. CARROLL. As I look to the next fiscal year, the fiscal year 1961—and this is very important to us in the West, in Colorado, New Mexico, and in fact to the whole area, to the whole country—I see in my figures a possible deficit unless the program is slowed down or stopped—I emphasize “unless”—of \$399 million. This is based on the 1-cent gasoline tax. That is what I want to know about.

Mr. ANDERSON. I only say to the Senator from Colorado that nothing of that nature was submitted to the Finance Committee by anyone, so far as I know. I wonder if the Senator from Utah [Mr. BENNETT] heard those figures. I wonder if the Senator from Kansas heard those figures. I know of no one who heard such figures. Where did they come from? Heaven only knows; but I cannot answer figures when I do not know where they come from.

Mr. CARROLL. If we really needed only a 1-cent increase, was the President wrong in asking for a cent and a half? What is the basis of the reasoning and the logic behind it?

Mr. ANDERSON. I would be happy to have the Senator from Utah answer the question.

Mr. CARROLL. I should like to have the Senator from New Mexico respond.

Mr. ANDERSON. I believe that the statements which have been made indicate why the President asked for 1½ cents. He wanted to take care of the \$157 million deficit on a pay-as-you-go basis. Some of us felt that 1½ cents was a little more than the people wanted to swallow. We reduced it, and found that the lower figure would stretch. The Senator from Utah made fine contributions all the way through. He could probably answer the question much better than can the Senator from New Mexico. The President asked for a sum which he knew would be adequate. The House and Senate gave him something less than that, in the hope that it would be adequate.

Mr. KUCHEL. Mr. President, let me add this comment: The House bill has a provision which covers the problem which my friend raises. The recommendation of the administration was for a 1½-cent increase.

Mr. CARROLL. That is correct.

Mr. KUCHEL. The majority of the membership of the House, in their own wisdom, determined, as my friend from New Mexico suggested, that not more than a 1-cent increase in the tax would be needed. To compensate for the difference in revenues between what a 1-cent increase would bring, as distinguished from a 1½-cent increase, by the bill which was sent to us, the House slowed down the level of future expenditures in the system.

Mr. CARROLL. This is very important. This is what I have been trying to establish. I thank the Senator from California. From the statements of the Senator from New Mexico it is obvious that, in round terms, in the fiscal year 1960 there would be a deficit of \$160 million under the 1-cent tax increase program. No one disputes that.

Mr. KUCHEL. No. What the Senator from New Mexico said is completely right. We are legislating not merely for 12 months, not merely for 2 years, but for 5 years.

What the Senator from New Mexico said, was completely accurate description of the fashion by which, during the coming 12-month period, the Federal Government will make its allocations.

I read the language on page 2, beginning in line 3:

Subsection (b) of section 108 of the Federal-Aid Highway Act of 1956, as amended, is amended by striking out “the additional sum of \$2,500,000,000 for the fiscal year ending June 30, 1961,” and inserting in lieu thereof the following: “the additional sum of \$2,000,000,000 for the fiscal year ending June 30, 1961.”

It is in the second year that the cutback takes place. A year ago we were legislating a speedup in the construction program of the interstate system. There was an opportunity, it appeared to the Congress, to help the employment situation by stepping up the construction program, and that was what was done. In this instance, in the wisdom of the Congress, we cut back.

Mr. NEUBERGER. Mr. President, will the Senator yield?

Mr. CARROLL. I should like to follow through on this line.

Mr. KUCHEL. The House realistically faced today the problem of an increase in taxes, and voted for it. What is involved in the amendment of my friend from Tennessee? It means borrowing from one fund and using it in another fund. We would be manufacturing additional problems for the Treasury Department, because we would be going deeper into debt. This is more deficit financing. It is that simple.

Mr. McCARTHY. Mr. President, will the Senator yield?

Mr. CARROLL. I should like to pursue this line if I may.

The Senator from New Mexico made it so clear that anyone who can hear can understand, that the deficit for the year 1960 is \$157 million plus \$3 million interest. Is that correct, I ask the Senator from New Mexico? It is exactly right.

Take the next year. I ask this question specifically. Let us not beat around the bush. Let us get down to cases. The deficit for the next year, 1961, is \$399 million.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. KUCHEL. I yield.

Mr. ANDERSON. Will the Senator from Colorado tell us where he gets that figure?

Mr. CARROLL. The first figure I got from the Senator from New Mexico.

Mr. ANDERSON. That figure is correct. Where did the Senator get the other figure?

Mr. CARROLL. The Senator from New Mexico said there was no basis, so far as he knew, for the second figure. I will be fair enough to say that.

Mr. ANDERSON. That is correct.

Mr. CARROLL. The junior Senator from California has made the real point clear. This is what I was trying to ascertain from my own State, based upon the 1-cent increase. Does this contemplate a slowdown in the program? I understand the Senator from California to say it does. Is that so?

Mr. KUCHEL. What the Senator has said is true.

Mr. CARROLL. That is all I want to know.

Mr. McCARTHY. Mr. President—

Mr. KUCHEL. Will the Senator from Colorado listen?

Mr. CARROLL. I shall be happy to listen.

Mr. KUCHEL. It is precisely the same slowdown that is involved in the amendment of the Senator from Tennessee, because this provision in the bill before us is not touched by the amendment of the Senator from Tennessee.

Mr. CARROLL. I am not arguing with the Senator from Tennessee. I am trying to ascertain the facts. The Senator from New Mexico has established one fact, about the deficit in 1960. The Senator from California has established another fact; namely, that there is to be a slowdown in the program. That is all the junior Senator from Colorado wishes to know.

I thank the Senator from California.

Mr. ANDERSON, Mr. McCARTHY, Mr. NEUBERGER, and Mr. BENNETT addressed the Chair.

The PRESIDING OFFICER. Does the Senator from California yield; and, if so, to whom?

Mr. KUCHEL. I yield to the Senator from New Mexico.

Mr. ANDERSON. I say to the Senator from California that he should be extremely careful in saying that there is to be a slowdown, just as he should be extremely careful in saying that last year there was an acceleration. I thought there was an acceleration in the program for 1958, but when we presented figures to Mr. Tallamy, and he began to present figures, I listened very carefully. I got the impression from his testimony that he needed extra money to keep pace with the increased production costs, and that the program was about the same as it had been. It would have been cut down if it had not been for the extra money.

Mr. KUCHEL. I thank my friend. He speaks with greater accuracy than I did when I used those words.

Mr. ANDERSON. In 1961 there will be no slowdown, because we will collect taxes through 12 months, rather than a short period.

Mr. BENNETT. Mr. President, will the Senator yield?

Mr. KUCHEL. I yield.

Mr. BENNETT. The question was raised a little earlier as to why the President proposed an increase of 1½ cents and is now willing to accept a cent, on the assumption that that would be adequate.

The House not only provided a tax increase of 1 cent, beginning in September, for 22 months, but it provided that a part of the tax on passenger automobiles and a part of the tax on parts would come in in the fiscal year 1961.

Mr. ANDERSON. 1962. It starts on July 1, 1961. The Senator must be careful.

Mr. BENNETT. It is fiscal year 1962, but calendar year 1961.

That revenue would come in to carry on the process of bringing the fund back into balance. Therefore the House felt that by this combination of a gas tax increase of 1 cent and a diversion of a part of the excise tax on passenger cars and parts, the financial need would be met. The operation would be phased in and phased out—not immediately—and the fund would be put back into a solvent condition.

Mr. NEUBERGER. Mr. President, will the Senator yield?

Mr. KUCHEL. I yield.

Mr. NEUBERGER. I have received a letter from the deputy State highway engineer in my State, Mr. Forest Cooper, to the effect that even if House bill 8678 becomes law, the highway program in Oregon—and I presume the situation is quite similar in other States—will have to be cut back at least 25 percent.

Mr. President, I ask unanimous consent to have Mr. Cooper's letter printed in the RECORD at this point as a part of my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

STATE OF OREGON,
STATE HIGHWAY DEPARTMENT,
Salem, Oreg., August 31, 1959.

Hon. RICHARD L. NEUBERGER,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR NEUBERGER: Thank you for your letter of August 21, and, as you suggested, I am outlining herewith what appears to be the effect of H.R. 8678 on Oregon's immediate highway future. I am answering in Mr. Williams' absence from the state.

While the proposed legislation authorizes two billion dollars for fiscal 1961, the condition of the Federal highway trust fund will govern how much work can be undertaken. It is our understanding that, even though H.R. 8678 is enacted, there will be a deficiency in the fund of some 350 million dollars near the end of this calendar year. Should this occur, the Bureau of Public Roads would have to put into effect a slow down on contracting and might have to delay the payments to the states for work already obligated and under way. This prospective delay in Federal-aid payments could be very serious as far as Oregon is concerned, providing the delay would be very prolonged. We have been advised that the Treasury Department is willing to go along on a repayable advance proposition in order to cover this anticipated deficit, but it will be necessary for Congress to authorize the procedure.

Assuming that H.R. 8678 becomes law, and further assuming that some action is taken to assure the states that Federal reimbursements can be paid with reasonable promptness, Oregon's construction program would be about 75 percent of that authorized under the 1958 highway act. While this much cut-back is a disappointment to both our State Highway Commission and the local construction industry, we recognize that some slow down at this time seems inevitable.

Under such a program, we can complete the Pacific Highway to Eugene and possibly to Goshen to interstate standards; the Baldock Freeway from Salem to its connection with Harbor Drive in Portland can be finished; some progress can be made on the continuation of remodeling the Columbia River Highway as a freeway between Portland and The Dalles, and possibly a minor start can be made on the East Bank Freeway in Portland. In addition to this, a fairly comprehensive right-of-way acquisition schedule can be maintained and an adequate survey, design, and planning procedure can be continued.

The State Highway Commission appreciates the efforts you have made in behalf of highway legislation.

Very truly yours,

FORREST COOPER,
Acting State Highway Engineer.

Mr. NEUBERGER. I ask the Senator from Utah if there is any constitutional or statutory provision of law which would prevent the Senate from approving an increase of 1½ cents, rather than 1 cent, in the gasoline tax and sending it to conference with the House?

Mr. BENNETT. None at all.

Mr. NEUBERGER. It seems to me that would be wise and reasonable. We would be living up to our fiscal responsibilities by sending the 1½ cent increase to conference.

Mr. BENNETT. I remember when the Senator offered that amendment, when we were debating the question a month or so ago. I was happy to support him.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. KUCHEL. I yield.

Mr. LAUSCHE. I should like to ask the Senator from Utah a question.

I observe that it was deemed inadvisable to take out of the general fund moneys in this fiscal year and the next fiscal year, and allocate them to the trust fund. I ask the Senator from Utah why it is prudent to take the moneys out of the general fund in 1962, and is not prudent to take them out now.

A further question is, if we are afraid of a deficit now, what assurance is there that there will not be a deficit and a bad fiscal situation in 1962? I do not think any revenues should be taken from the general fund, but that new revenues should be provided, from one source or another, to finance the highway program.

Mr. BENNETT. My understanding is that a study is underway in the Bureau of Public Roads to reevaluate the cost of the program. That study will probably result in recommendations being made to Congress before July 1, 1961.

The PRESIDING OFFICER (Mr. MUSKIE in the chair). Has the Senator from California yielded the floor?

Mr. KUCHEL. I have.

The PRESIDING OFFICER. The Chair will state that no other Senator has been recognized.

Mr. BENNETT. Mr. President, I understood the Senator from California had yielded to me to answer a question.

Mr. LONG of Louisiana. Mr. President, I believe the situation is that the Senator from California yielded the floor to the Senator from Ohio [Mr. LAUSCHE] who asked if he might propound a question.

The PRESIDING OFFICER. The Senator from California has yielded the floor. No other Senator has been recognized.

Mr. ANDERSON. Mr. President, I ask for recognition.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. ANDERSON. I am not trying to take the floor from the Senator from Ohio. I therefore ask unanimous consent that, without losing the floor, I may yield to the Senator from Ohio to address a question to the Senator from Utah.

Mr. LAUSCHE. I thank the Senator from New Mexico.

Mr. BENNETT. I appreciate the courtesy. A study is being made, the results of which will be made available to the Committee on Finance, to the House Committee on Ways and Means, and to the Committees on Public Works of the two bodies. It will be made available in ample time so that before July 1, 1961, we may have before us recommendations which will result in changes in the taxation pattern to support the program. But if we do not, we have put a backstop in the bill.

Mr. LAUSCHE. Mr. President, will the Senator further yield?

Mr. ANDERSON. I yield.

Mr. LAUSCHE. This report shows that in 1962 \$802 million will have been taken out of the general fund and put

into the highway trust fund. I have grave apprehensions about that kind of fiscal policy, because I believe that in 1962 the Government will be in the same difficult fiscal position with respect to the general fund as it is now, in fiscal 1960.

Mr. BENNETT. But before then Congress will have had an opportunity to review the situation.

Mr. LAUSCHE. I thank the Senator from Utah.

Mr. ANDERSON. Mr. President, I ask for the floor in order that I might comment on the letter which the distinguished junior Senator from Oregon [Mr. NEUBERGER] placed in the RECORD. The letter reads, in part:

While the proposed legislation authorizes two billion dollars for fiscal 1961, the condition of the Federal highway trust fund will govern how much work can be undertaken. It is our understanding that, even though H.R. 8678 is enacted, there will be a deficiency in the fund of some \$350 million near the end of this calendar year.

That is exactly what I said. Every-one who was listening heard what I said. There will be a deficit as of December 31. But I pointed out that the deficit, which came to \$157 million by June 30, will be taken care of by extra collections which might have come in by that time.

The letter continues:

Should this occur, the Bureau of Public Roads would have to put into effect a slowdown on contracting and might have to delay the payments to the States for work already obligated and underway. This prospective delay in Federal-aid payments could be very serious as far as Oregon is concerned, providing the delay would be very prolonged. We have been advised that the Treasury Department is willing to go along on a repayable advance proposition in order to cover this anticipated deficit, but it will be necessary for Congress to authorize the procedure.

Again, that is what I pointed out a short while ago. Legislation will be proposed to provide for an authorization whereby the Treasury Department can advance the \$350 million which would be necessary on December 31 and get it back out of collections.

So I say the letter from the State of Oregon does not contradict, but confirms, exactly what has been said to the Senate.

Mr. LONG of Louisiana. Mr. President, it seems to me that some Senators, even after all this discussion, do not understand the amendment now before us. The amendment would provide more revenue than the House bill provides. The amendment would merely raise the additional funds for the Government in a somewhat different way than that proposed in the House bill. For most of the projects which the Federal Government constructs, such as waterways, dams, reclamation, and almost anything else of that kind, in most instances the money is appropriated, and Congress then looks at the budget to see if more taxes are necessary, and provides them if necessary. That is how the foreign aid program is handled for example.

Some years ago someone suggested that inasmuch as this program was for

the benefit of highway users, they should pay for it. I suppose one reason advanced was that Congress had just finished cutting taxes by \$9 billion in the previous session, based on this administration's recommendations. So rather than to have the administration say it had cut taxes too greatly, it was said that the highway users should pay for the highway program, rather than rescinding some of the previous tax cut. I am one who did not vote to increase the tax on gasoline at that time.

I ask unanimous consent that a statement that I have prepared be printed at this point in the record.

There being no objection, the statement was ordered to be printed in the RECORD as follows:

So-called automotive taxes

[Dollars in millions]

	Estimated collections fiscal 1960	Transferred to highway trust fund	
		Per cent	Amount
Gasoline.....	\$1,750	100	\$1,750
Lubricating oil.....	70	0	0
Passenger cars.....	1,300	0	0
Trucks and buses.....	225	50	112
Auto parts and accessories.....	175	0	0
Tires, tubes, and tread rubber.....	275	100	275
Diesel and special motor fuel.....	55	100	55
Use tax on certain vehicles.....	35	100	35
Total.....	3,885		2,227

Amount of so-called automotive taxes retained in general fund of the Treasury—\$1,658 million, or 43 percent.

Mr. LONG of Louisiana. Mr. President, the highway users at that time even under the new program, were going to pay twice as much as the cost of what the Federal Government proposed to do.

Under the present situation, only 58 percent of the excise taxes imposed on highway users will go into the fund. I heard some reference made by the acting minority leader, the Senator from California [Mr. KUCHEL], to the effect that the House exercised careful statesmanship in working out the highway bill. I cannot find any ideological conflict between what the House did and what the Senate proposes to do.

The administration asked the House for a 1½-cent increase in the gasoline tax. The House said it would not grant a cent-and-a-half increase but would agree to a 1-cent increase. The House said it would take some of the taxes on passenger cars, automobile parts, and accessories, and put a part of them into the fund starting in fiscal year 1962, which means beginning July 1, 1961.

If it is wrong now to do what the Senator from Tennessee says, namely, to take some of the excise taxes on new cars, auto parts, and accessories, and put them into the fund, then what makes it right to do it in 1962? It is fair to give highway users the same credit in the highway fund for what they pay in excise taxes on passenger cars, auto parts and accessories. If it is right to do it in 1962, it is right now.

The Senator from Tennessee merely proposes to advance the date, so that highway users will be given some credit

on the excise taxes they are paying on cars, parts, and accessories now, rather than to build the highways now with increased gasoline taxes. The proposal of the Senator from Tennessee would raise more money for the Government than the provision he is proposing to eliminate from the bill. This is a question of opposing points of view.

Let us keep this in mind.

I ask Senators to examine the report of the House committee to the House. It is not a majority report; it is made up of a group of supplemental views, because none of the House committee members could bring forth a measure with which all of them would be satisfied.

In the first set of supplemental views, the largest of the groups said that the method proposed was a very unfair and very inequitable way of handling the matter, because the highway users are already paying too much taxes. That was the conclusion which the largest group of the House committee members reached.

Then they said that the measure they were reporting was the best they could report to the House, under the circumstances. Apparently someone had been consulting with the White House, and had been informed that that arrangement would be acceptable.

But the largest single group of the House committee members said the bill was inequitable and unfair and provided for the most unfair way they could think of to finance the program.

The Senator from Tennessee [Mr. GORE] is trying to have the Senate take action in line with the views of the largest single group of the House committee members, who thought that some other method of raising revenue would be more fair.

What does the Senator from Tennessee propose? He proposes the elimination of a tax advantage which I submit has never been favored by a majority of either the House or the Senate. That tax advantage exists in the tax law only by accident.

I am one of the few Members of the Senate who voted for that tax advantage when it went into effect the first time. I recall the history of that matter in 1954. I told a number of my constituents that I would vote for it. When it came up, a motion to strike it out was made; and the motion to strike it out of the bill was agreed to, and it was stricken out of the bill, which had come to the Senate from the House. The vote in the Senate was 71 to 7; and I was one of the 7. So the action the Senate took at that time was taken by a majority of 10 to 1.

I heard the statement made, here on the floor of the Senate, that some great ideological difference is involved.

Mr. President, I have no ideological problem here. I supported that tax advantage or exemption, until the Senate decided that it did not want it. I respected the opinion of the 10-to-1 majority of the Senate Members who said they did not want to permit such a tax advantage.

The result of striking out this tax advantage, as we now propose, will be to

bring into the Treasury more revenue than that which would be obtained by increasing the gasoline tax by 1 cent a gallon.

We are proposing to strike out this tax advantage, which was put through in the House under a closed rule. It got through the House only because it was included in a package bill, in a situation in which the only motion which could be made at that time was a single motion to recommit.

At the time that this tax advantage got into the law, I suppose it would have been stricken out by both the House and the Senate, if the House had had an opportunity to vote on a motion to that effect, by a majority of similar to the majority by which the Senate had voted to strike it out.

In the conference, the House conferees included some very firm and very determined Members. I have seen what we can expect from some of the House conferees who are members of the Ways and Means Committee, and who insist on having everything their way. The late Representative Reed, one of the House conferees, was successful in getting the Senate conferees to agree to half of what the House had sent to the Senate. The dividend credit began at 8 percent, in the House bill; and the conferees settled for a 4-percent dividend credit. Senators did not like it; but that is how it got into the law.

The House has never been permitted to vote on it since that time.

This year, we sent this measure to the House; and it was in conference. The House conferees would not permit the House to vote on the question of removing this tax advantage. If they ever permitted the House to vote on the question of removing it, the House would certainly vote to remove it, just as the Senate did.

So this tax advantage is now in the tax laws only by accident. A majority of each House has always been opposed to it; yet it remains in the law. That situation is a tribute to the power of a small group of House committee members, who were able to get into the law, and keep in the law, this tax advantage, solely by preventing both the majority of the House to have an opportunity to vote this tax advantage out of the law.

So we now propose to eliminate the tax advantage, and to advance the date when the highway users will receive some credit for the taxes they are paying on their purchases of passenger cars, automobile parts, and accessories.

But I repeat that, there is no ideological conflict in my mind in regard to this matter. I was one of the seven Senators who voted for this tax advantage the first time it came before the Senate. I was one of those who voted to eliminate it after I found that it had not been favored by a majority, and that it offered no particular advantage over other tax measures.

The highway users already are paying almost twice as much tax as is required by the highway fund. The largest single group of members of the House committee which reported this measure to the floor of the House stated in their re-

port—and now I quote from page 61 of the House committee report:

There are more equitable methods of increasing the general revenue than by imposing an additional gasoline tax.

They also said:

The administration's underlying purpose for the additional 1-cent gasoline tax is to provide a surplus in the general budget, at the expense of the highway users.

That is what was said in that report by the largest single group of members of the House committee which reported this proposal to the floor of the House.

So, Mr. President, I say that the elimination of this special tax advantage would be a better way, and would raise more money, than the proposal the House has sent to us.

Mr. GORE. Mr. President, will the Senator from Louisiana yield?

The PRESIDING OFFICER (Mr. MUSKIE in the chair). Does the Senator from Louisiana yield to the Senator from Tennessee?

Mr. LONG of Louisiana. I yield.

Mr. GORE. The Senator from Louisiana has dramatically, ably, and accurately pointed out that the measure which I have offered with his co-sponsorship will bring to the Government more revenue in fiscal 1960 than will the pending bill.

I wish to ask the Senator from Louisiana if, on the other hand, it is true—and I should like to have the Senator from Ohio [Mr. LAUSCHE] hear this—

Let me ask the Senator from Louisiana whether he will yield further.

Mr. LONG of Louisiana. I yield.

Mr. GORE. The Senator from Louisiana has pointed out most dramatically how this piece of favoritism, in the form of a tax advantage, is a tribute to a gag rule that usually is applied to all tax measures in the other body; in fact, it always is applied.

I should like to say that I enjoy the freedom of being a Member of the U.S. Senate. I served in the other body for 14 years; but in all that time I never had an opportunity to offer one amendment to a tax bill, and I do not recall that I ever had an opportunity to vote on one. As a Member of the House, I found that its Members were regularly faced with a question of "take it or leave it" or "vote for all of it or vote against all of it"—in other words, either to accept or reject an entire package.

That is what the House was faced with in connection with the bill now before us. The House Members had to vote either for no highway program at all or for an increase in the gasoline tax; and even under those circumstances, 163 Members of the other body voted against the bill.

Just as the Senator from Louisiana has pointed out, my amendment will bring into the Treasury, in this fiscal year, slightly more revenue than will the pending bill.

I wish to ask the Senator from Louisiana if it is true that my amendment will not create any new obligations.

Mr. LONG of Louisiana. That is correct.

Mr. GORE. My amendment merely provides that the Government will meet the obligations which the Congress created with the apportionment bill last year. Those apportionment bills have been passed since 1916; and this is the first time the States have been faced with a default on the part of the Government.

Only a few moments ago I read the testimony of Mr. Tallamy to the effect that under the provisions of the House version of the bill, there would be a deficit in the trust fund, at the end of this fiscal year, of \$157 million, plus \$3 million interest.

Mr. LAUSCHE. Mr. President, will the Senator from Louisiana yield for a question?

Mr. COOPER. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield to the Senator from Ohio for a question.

Mr. LAUSCHE. I should like to ascertain how much revenue the Gore amendment will provide or what funds it will make available.

I read from paragraph (A):

(A) that portion of the taxes received in the Treasury after June 30, 1959, and before July 1, 1960, under section 4061(a)(2) of the Internal Revenue Code of 1954 (tax on passenger automobiles, etc.) which is equal to the amount which would have been so received if the tax rate under such section had been 4 percent in lieu of the applicable rate; and

What will the 4 percent produce in the first year?

Mr. GORE. Approximately \$520 million. That tax is levied now.

Mr. LAUSCHE. Paragraph (B) deals with the same subject, but covers the period beginning June 30, 1960.

Mr. GORE. That is correct; and the Senator from Ohio will find that the House version appropriates to the trust fund part of the automobile excise tax revenue, beginning in fiscal 1962.

Mr. LAUSCHE. So \$520 million will be produced out of the excise tax in 1959.

Mr. GORE. The Government will receive the same amount of money from the automobile excise tax, under either version of the bill.

Mr. LAUSCHE. Very well. But I understand that \$520 million will be received from the excise tax in the fiscal year 1960.

Mr. GORE. That will be a transfer, not a levy.

Mr. LAUSCHE. And \$335 million will be produced by removing the dividend credit for individual taxpayers, as I understand.

Mr. GORE. That is correct; and that amount is to be compared with the estimated \$333 million which the 1-cent-a-gallon gasoline tax would produce for the remainder of this fiscal year.

Mr. LAUSCHE. Then the total which would be produced by the Gore amendment during the first year would be approximately \$850 million?

Mr. GORE. That is not correct. The automobile excise tax is already levied. Neither bill levies a new excise tax on automobiles.

Mr. LAUSCHE. I understand that, but there is \$1,500 million of excise taxes

and accessories on automobiles which now goes into the general fund.

Mr. GORE. The bill before the Senate would allocate no part of the excise taxes to which the Senator has referred, except 40 percent of the automobile tax, to the highway trust fund.

Mr. LAUSCHE. That would produce \$520 million.

Mr. GORE. It would not produce; it would transfer.

Mr. LAUSCHE. It would transfer to the highway trust fund.

Mr. GORE. That is right. The House bill would produce \$333 million for the highway trust fund.

Mr. LAUSCHE. By the 1-cent gas tax.

Mr. GORE. But the deficit is \$493 million; so it would leave a net deficit in the trust fund of \$160 million.

Mr. LAUSCHE. That is correct. But the \$520 million which would be transferred out of the general fund and into the highway trust fund would be taken away from a potential use in the general operation of the Government.

Mr. GORE. Instead, the revenue from the repeal of the dividend tax credit would go, not into the trust fund, but into the general fund.

Mr. SPARKMAN. How much is that?

Mr. LAUSCHE. That is \$335 million, I understand. Will the Senator from Tennessee now tabulate the figures as he understands them, stating how much more money would be available from the trust fund and how much more money would come into the general fund?

Mr. LONG of Louisiana. Mr. President, if the Senator will look at the figures I have before me, I believe he can see what would happen. Under the House bill an additional 1-cent tax on gasoline would be levied and that would be directed into the fund. That would produce about \$330 million for the next year. In fiscal year 1962, which means July 1961, one-half of the tax which is at present being collected on passenger cars would be directed toward the fund, and five-eighths of the tax which is now being collected on auto parts and accessories would be directed into the fund.

Mr. LAUSCHE. Yes. I have that and I have another figure.

Mr. LONG of Louisiana. Instead of that, the Senator from Tennessee proposes that we approach the problem in this way: Instead of waiting until 1962 to put some of the funds from the tax on passenger cars into the highway fund, he would put in 40 percent starting now.

Mr. LAUSCHE. That is correct.

Mr. LONG of Louisiana. Then he would make up that revenue, or most of it—at least, more than the 1-cent gasoline tax would bring—by eliminating the tax advantage, which many of us feel never should have been in the law. I am one of those who voted to keep it. That being the case, the revenue to the Government would be more. The expenditures from the fund would be somewhat greater.

But the reason we would do that would be to avoid having to decline the fulfillment of Federal commitments on the highway program. In other words, rather than having a slow down by the

so-called method of contract control, we would allot money less rapidly than was intended. We would simply go forward with the program as planned when the program was put into effect.

Mr. COOPER. Will the Senator yield?

Mr. LONG of Louisiana. I yield to the Senator from Kentucky.

Mr. COOPER. I invite the attention of the Senator from Tennessee and the Senator from Louisiana, who stated that the revenue which would be produced by the Gore amendment would be greater than the revenue produced by the committee bill. I wish to point out a distinction which should be made. It is not a question of the total revenue for all purposes which would be produced. The question is the effect the Gore amendment would have on the trust fund, and on the general funds available for all appropriations.

I believe this is a correct statement: The Gore amendment would make the trust fund solvent, but it would take away from the general funds available for all appropriations nearly \$200 million. If there were a deficit, it would add to that deficit in the general fund \$200 million. If there were no deficit, it would take that amount away from the general fund.

Mr. GORE. Will the Senator yield?

Mr. COOPER. I should like to ask my question.

Mr. LONG of Louisiana. I believe I have the floor. I yield to the Senator from Kentucky.

Mr. COOPER. Is it not correct that while the trust fund would be made solvent by this device, the general fund would be reduced by nearly \$200 million a year?

Mr. LONG of Louisiana. The Gore amendment would create no new obligation whatever. The difference is that unless we adopt the Gore amendment, the passage of the committee bill will mean a slowdown by the method of "contract control," which I interpret to be just a way of letting the money go more slowly than was intended, so as to slow down the program. That is in violation of the contracts that were made with 50 different States.

Mr. COOPER. I ask the Senator, which is more important, to slow down the highway program by a year or two, or to take \$200 million out of the general fund and create a deficit? I want the pay-as-you-go principle to be maintained.

Mr. GORE. The highway trust fund has a deficit of \$493 million this year. What for? For contracts that are being completed this year under an agreement between our respective States and the Bureau of Roads. Unless we put the money in the trust fund to fulfill those commitments, the State of Kentucky and the State of Tennessee will be left holding the bag, owing contractors who have completed their contracts, because the Federal Government is in default.

Mr. COOPER. I am not worried about that. It will be corrected by the committee bill.

Mr. GORE. I do not know why the Senator should not worry about it.

Mr. COOPER. I ask my friend if he will answer my question.

Mr. GORE. I shall be glad to answer it.

Mr. LONG of Louisiana. Mr. President, I ask if I may yield to the Senator from Tennessee.

The PRESIDING OFFICER. Has the Senator from Louisiana yielded the floor?

Mr. CLARK. Mr. President—

Mr. LONG of Louisiana. I would prefer to yield to the Senator from Tennessee, who has the best understanding of the problem, since he was a member of the Public Works Committee when the interstate program was started.

Mr. COOPER. I simply wish to know the fact. The Senator from Ohio raised this question. I therefore ask these questions for information. I know the Senator from Tennessee is one of the authors of the bill and that he has a great interest in it. He has said that the transfer of a part of the excise tax derived from automobiles, accessories and parts, involved the transfer of \$520 million from the general fund to the trust fund. Now the Senator says that by removing the exemption on dividends we would increase the general fund by \$335 million. That would mean that we would have reduced the general fund by \$185 million a year. Is that correct?

Mr. LONG of Louisiana. That is correct.

Mr. COOPER. Your amendment would make the highway trust fund solvent?

Mr. GORE. That is correct.

Mr. COOPER. But it would reduce the general fund by \$185 million a year.

Mr. GORE. Why does the trust fund need to be solvent? Because there is a solid commitment to the States to reimburse them for contracts, on a matching basis, which contracts have been approved by the Department of Commerce of the U.S. Government.

The contracts are being completed. Payment is due. Either this Congress provides the funds, or the Government of the United States is going to be in default to the respective States.

Mr. COOPER. In the Public Works Committee it was said, as I understood it, that the additional 1-cent gasoline tax will provide the money needed in the next 3 years to meet the needs of the program, with some deceleration. I again ask the question, What is more important? To delay the final completion of the program a year or two, or to create a deficit in the general fund of \$200 million a year? I think it better to stretch out the program than to engage in deficit financing from the general funds.

Mr. GORE. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. First let me answer that question. The question is twofold. The first is, "Which way would you rather raise money? Would you rather raise the money by raising a 3-cent to a 4-cent tax on gasoline, or would you rather leave it as it is and take away the dividend tax advantage? Do you want to finance the program with a 4-cent gasoline tax, when the States need

to tax the same item, anyway, or would you rather take away a special tax advantage which neither a majority in the Senate nor in the House wanted, and which never would have been in the law if it had not been for a rule in the House which prevented an amendment to strike it?"

Mr. LAUSCHE. Mr. President, will the Senator let me answer his question?

Mr. LONG of Louisiana. Yes.

Mr. LAUSCHE. I would prefer to avoid impairing the general fund and imposing the 1-cent tax, and remove the credits given to the dividend collectors.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I intended to ask a mere rhetorical question. I am sure the answers will vary, as we shall see when we call the roll. The question is, Which way is the better way to raise the money? By taking away a tax advantage which 90 percent of the Senate, and I am sure 90 percent of the House, never were for, or to put this extra 1-cent tax on gasoline, which is a very regressive tax, and a tax which the States need for themselves.

Secondly, what about the 50 States? Contracts are being completed in those States. Is the Federal Government going to live up to its commitments to put up the money, or slow down its payments, and, in effect, default on its commitments to 50 different States, which are really contracts with the States.

Some persons would say to their constituents, "Well, I would rather delay the highway program than to see the Federal Government go \$100 million in debt." I ask them, Did you take that point of view when the Senator from Virginia [Mr. BYRD] asked you to delay the veterans' bill so as to keep the Federal Government in better fiscal condition? No, you voted for the Kerr amendment and voted for the Government to assume that liability. The Senator from Virginia [Mr. BYRD] was trying to tell you that the widows could wait a couple of years and that pensions to widows of veterans who had no service-connected disabilities could be postponed for 2 years before going into effect. You said you could not wait. Senators voted for an amendment which will cost \$10 billion during the next 40 years. They could not wait to get that into the law.

Are we going to take the attitude that the Federal Government is going to default on its commitments to 50 States which have contracts within those States because, while we could not wait to provide new pensions for widows of veterans with no service connected disability? It does not make sense to me.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield to the Senator from Pennsylvania.

Mr. CLARK. Mr. President, may I have the attention of the Senator from Kentucky [Mr. COOPER]?

In my judgment, what the Senator from Kentucky has said is correct. If the Gore amendment is adopted, there

will be a deficit of \$185 million in the general fund for 1960. If the Gore amendment is adopted, I intend to call up my amendment "C," which would impose an obligation to withhold taxes on interest and dividend at the source. If that amendment carries, instead of a deficit of \$185 million for 1960, the general fund will have a surplus of \$145 million for 1960, and in each year thereafter the surplus in the general fund will increase.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Tennessee.

Mr. JOHNSON of Texas. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Fulbright	Martin
Allott	Goldwater	Monroney
Anderson	Gore	Morse
Bartlett	Green	Morton
Beall	Gruening	Moss
Bennett	Hart	Mundt
Bible	Hayden	Muskie
Bush	Hickenlooper	Neuberger
Butler	Hill	Pastore
Byrd, Va.	Holland	Prouty
Byrd, W. Va.	Hruska	Proxmire
Cannon	Humphrey	Randolph
Capehart	Jackson	Robertson
Carlson	Javits	Russell
Carroll	Johnson, Tex.	Saltonstall
Case, N.J.	Johnston, S.C.	Schoeppel
Chavez	Keating	Scott
Clark	Kefauver	Smith
Cooper	Kerr	Sparkman
Cotton	Kuchel	Stennis
Curtis	Langer	Symington
Dodd	Lausche	Talmadge
Douglas	Long, Hawaii	Thurmond
Dworshak	Long, La.	Wiley
Eastland	McCarthy	Williams, N.J.
Engle	McClellan	Williams, Del.
Ervin	McNamara	Young, N. Dak.
Fong	Magnuson	Young, Ohio
Frear	Mansfield	

Mr. MANSFIELD. I announce that the Senator from Louisiana [Mr. ELLENBER], the Senator from Missouri [Mr. HENNINGS], the Senator from North Carolina [Mr. JORDAN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Wyoming [Mr. McGEE], the Senator from Montana [Mr. MURRAY], the Senator from Florida [Mr. SMATHERS], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

I also announce that the Senator from Indiana [Mr. HARTKE] and the Senator from Wyoming [Mr. O'MAHONEY] are absent because of illness.

The Senator from Idaho [Mr. CHURCH], is absent on official business attending the Interparliamentary Union Conference in Warsaw, Poland.

Mr. KUCHEL. I announce that the Senator from South Dakota [Mr. CASE] is absent on official business attending the Interparliamentary Union Conference at Warsaw, Poland.

The Senator from New Hampshire [Mr. BRIDGES] and the Senator from Illinois [Mr. DIRKSEN] are necessarily absent.

The PRESIDING OFFICER. A quorum is present.

The question is on agreeing to the Gore amendment in the nature of a substitute for title II, as amended. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MANSFIELD (when his name was called). On this vote I have a pair with the Senator from Illinois [Mr. DIRKSEN]. Were he present and voting he would vote "nay"; if I were at liberty to vote, I would vote "yea." I withhold my vote.

The rollcall was concluded.

Mr. MANSFIELD. I announce that the Senator from Louisiana [Mr. ELLENDER], the Senator from Missouri [Mr. HENNING], the Senator from North Carolina [Mr. JORDAN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Wyoming [Mr. McGEE], the Senator from Montana [Mr. MURRAY], the Senator from Florida [Mr. SMATHERS], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

I also announce that the Senator from Indiana [Mr. HARTKE] and the Senator from Wyoming [Mr. O'MAHONEY] are absent because of illness.

I further announce that the Senator from Idaho [Mr. CHURCH] is absent on official business attending the Interparliamentary Meeting in Warsaw, Poland.

I further announce that, if present and voting, the Senator from Missouri [Mr. HENNING], the Senator from Wyoming [Mr. McGEE], the Senator from Montana [Mr. MURRAY], the Senator from Wyoming [Mr. O'MAHONEY], and the Senator from Texas [Mr. YARBOROUGH] would each vote "yea."

On this vote, the Senator from Massachusetts [Mr. KENNEDY] is paired with the Senator from New Hampshire [Mr. BRIDGES]. If present and voting, the Senator from Massachusetts would vote "yea," and the Senator from New Hampshire would vote "nay."

On this vote, the Senator from Indiana [Mr. HARTKE] is paired with the Senator from Florida [Mr. SMATHERS]. If present and voting, the Senator from Indiana would vote "yea," and the Senator from Florida would vote "nay."

Mr. KUCHEL. I announce that the Senator from South Dakota [Mr. CASE] is absent on official business attending the Interparliamentary Union Conference at Warsaw, Poland.

The Senator from New Hampshire [Mr. BRIDGES] and the Senator from Illinois [Mr. DIRKSEN] are necessarily absent.

The pair of the Senator from Illinois [Mr. DIRKSEN] has been previously announced.

On this vote, the Senator from New Hampshire [Mr. BRIDGES] is paired with the Senator from Massachusetts [Mr. KENNEDY]. If present and voting, the Senator from New Hampshire would vote "nay," and the Senator from Massachusetts would vote "yea."

The result was announced—yeas 35, nays 50, as follows:

YEAS—35

Bartlett	Engle	Jackson
Byrd, W. Va.	Ervin	Johnston, S.C.
Cannon	Gore	Kefauver
Carroll	Gruening	Langer
Clark	Hart	Lausche
Dodd	Hill	Long, Hawaii
Douglas	Humphrey	Long, La.

McCarthy
McClellan
McNamara
Monroney
Morse

Moss
Muskie
Neuberger
Proxmire
Sparkman

Symington
Talmadge
Young, N. Dak.
Young, Ohio

NAYS—50

Aiken
Allott
Anderson
Beall
Bennett
Bible
Bush
Butler
Byrd, Va.
Capehart
Carlson
Case, N.J.
Chavez
Cooper
Cotton
Curtis
Dworshak

Eastland
Fong
Frear
Fulbright
Goldwater
Green
Hayden
Hickenlooper
Holland
Hruska
Javits
Johnson, Tex.
Keating
Kerr
Kuchel
Magnuson
Martin

Morton
Mundt
Pastore
Prouty
Randolph
Robertson
Russell
Saltonstall
Schoeppel
Scott
Smith
Stennis
Thurmond
Wiley
Williams, N.J.
Williams, Del.

NOT VOTING—15

Bridges
Case, S. Dak.
Church
Dirksen
Ellender

Hartke
Henning
Jordan
Kennedy
McGee

Mansfield
Murray
O'Mahoney
Smathers
Yarborough

So the amendment of Mr. GORE in the nature of a substitute for title II, as amended, was rejected.

Mr. ANDERSON. Mr. President, I move to reconsider the vote by which the Gore amendment was rejected.

Mr. ALLOTT. Mr. President, I move to lay that motion on the table.

Mr. KUCHEL. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. McNAMARA. Mr. President, I offer my amendment, which is at the desk, and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. At the end of the bill it is proposed to insert the following new section:

SEC. 203. Tax on passenger automobiles, etc.

Section 4061(a)(2) of the Internal Revenue Code of 1954 (relating to tax on passenger automobiles, etc.) is amended by striking out "on and after July 1, 1960, the rate shall be 7 percent" and inserting in lieu thereof the following: "(A) on and after July 1, 1960, and before July 1, 1961, the rate shall be 7 percent, (B) on and after July 1, 1961, and before July 1, 1962, the rate shall be 6 percent, and (C) on and after July 1, 1962, the rate shall be 5 percent".

Mr. JOHNSON of Texas. Mr. President, will the Senator from Michigan yield?

Mr. McNAMARA. I yield.

Mr. JOHNSON of Texas. Mr. President, the Senator from Michigan would like to have the yeas and nays ordered on his amendment. In order that all Senators may be on notice, I ask that they join us in the request.

The yeas and nays were ordered.

Mr. JOHNSON of Texas. I understand that the Senator from Michigan expects to explain his amendment briefly.

Mr. BUSH. We cannot hear what the majority leader is saying.

Mr. JOHNSON of Texas. The Senator from Michigan does not expect to speak at great length—perhaps 20 minutes—on his amendment. The yeas and nays have been ordered on it. I expect that a vote

on the amendment will be had within the next 30 minutes. I hope that Senators will be on notice in that regard. I thank my friend from Michigan for yielding.

Mr. McNAMARA. Mr. President, we now have before us one of the most important bills of this frequently frustrating session.

The bill provides for additional financing for the Federal highway program—financing that is vital at this stage in order to continue work on this 41,000-mile interstate network of roads.

It is extremely unfortunate that deliberations on achieving the necessary financing—deliberations outside the control of the Senate—have taken so long.

We are now presented with the measure in the closing days of the session.

Despite what I—and I am sure many of my colleagues—consider great defects and inequities in the bill, we are forced to consider it under the impediment of time.

We are faced with what almost amounts to a take-it-or-leave-it situation.

Those of us who took part in the development of this tremendous highway program have little choice between seeing it die or accepting the unattractive features of the bill before us.

Those features are self-evident.

One provides for a 1-cent increase in the Federal gasoline tax for a 21-month period—another unfair burden on the already hard-pressed consumer.

A second feature dedicates one-half of the 10-percent automobile excise tax and five-eighths of the parts tax to the highway trust fund.

These are two bitter pills. They certainly contain nothing that I—as a Senator from Michigan—can swallow with any degree of enthusiasm.

A few minutes ago I voted for the amendment of the Senator from Tennessee, which also proposed to transfer excise taxes to the highway trust fund. I do not want my vote for his amendment to reflect my endorsement of the concept.

However, the amendment of the Senator from Tennessee also included repeal of the dividend tax credit, a proposal I find very attractive and worthwhile. This added a little sweetening to the bitter pill. It is like taking castor oil with orange juice.

Realistically, the only thing to recommend the legislation is the knowledge that failure to approve it would result in a drastic curtailment of the Federal highway construction program.

This is an alternative so devastating as to represent no alternative at all.

For if the highway construction program was essential when it was adopted 3 years ago, its essentiality has only increased with the passage of time.

The considerations of national defense which led to the establishment of this program are as valid today as they were 3 years ago.

The desire to improve traffic safety through the construction of adequate roads has increased with the growing

population and the ever increasing use of automobiles and trucks in interstate transportation.

The tremendous impact of this program on our national economy, providing as it does more than 700,000 jobs directly or indirectly, is of the greatest importance.

These vast numbers of working men and women and large and small contractors have accepted jobs and undertaken obligations, relying on the belief that when Congress said it was going to institute a long-range road program Congress meant what it said and would honor its word.

These and other considerations have served to make mandatory some program for additional financing in the next few years.

We all recognize, I think, that the road building operation is one which cannot be subjected to wide fluctuations from year to year.

This is certainly inherent in the planner apportionment—and 13-year duration of the program—set forth in the original 1956 act.

So, Mr. President, As I see it, we in the Senate have little or no alternative but to develop an immediate, short-term, revenue program, one which would enable us to continue the highway program with the smallest possible abatement.

If left to my own devices I would not have selected an increase in the gasoline tax as the means by which to raise the additional revenue needed to sustain this program.

I think that the motoring public is already being taxed to the extent that this group should be required to bear in financing the highway building program.

This 1-cent gas tax increase, when added to the existing 3-cent Federal rate and the 6- or 7-cent per gallon tax rate in the States, means that whenever the driver fills his 20-gallon tank at the service station, up to \$2 of what he pays will be earmarked, under either Federal or State law, for highway and other road construction and improvements.

And we must recognize that this is another of those consumer taxes which is unrelated to ability to pay.

Certainly an automobile can no longer be reasonably classed as a luxury. Automobiles and automotive transportation are today a necessity. This is admitted by everyone with the possible exception of tax architects in the Treasury Department.

Yet we are now confronted with a proposal which will not only increase the cost of the operation of an automobile, but which could perpetuate much of the discriminatory excise tax now levied against automotive consumers under existing law.

Mr. President, much as I dislike the idea of an increase in the gas tax, I can as a realist accept it.

However, even as a realist I cannot accept the logic of those who now propose, contrary to all prior arguments, to take from the general fund of the Treasury such a large portion of the automotive excise taxes.

These are the same taxes, believe it or not, which less than 3 short months ago were so essential to the integrity of the general fund that we passed legislation to extend their existing high rate in order to avoid a scheduled 3 percentage point reduction in them.

Now we do not even have the sweetener that the Senator from Tennessee offered, repeal of the dividend tax credit.

I understand there are those who urge that there is really nothing to be alarmed about in the inclusion of the scheduled transfer of excise taxes beginning in July 1961, since the Department of Commerce is expected to submit financing recommendations at the conclusion of its study of the Federal highway program.

These recommendations are due in January of 1961, 6 months before the effective date of the transfer proposed by the pending bill.

It is then suggested, despite the apparent finality with which this transfer is accomplished in the pending bill, that Congress will be able to study the recommendations of the executive branch and perhaps produce a source of revenue which will remove the need of such a transfer.

This seems so unrealistic as to be comical, since we have known about the financing problem in the roads program for more than 9 months in this session of the Congress. Yet the pending bill is apparently the end product of our "best fiscal thinkers."

Another thing which makes me doubt that the proposed transfer is temporary is that I have had some experience in witnessing how the executive branch, when confronted with difficult dilemmas like the one which has been handed them in the proposed study, frequently utilize congressional actions in support of their recommendations.

Briefly, my experience leads me to believe that with the proposed transfer we probably are providing at least one—and probably a major—recommendation of the Department of Commerce in its 1961 study.

As a matter of fact, it would be quite convenient for the Department of Commerce, when it submitted its recommendation, to say to Congress that the transfer provided in the existing legislation is sufficient to supply the additional funds required.

Or, if costs rise, or a more ambitious program is recommended, the Department might call for the dedication of the remainder of the excise tax revenues not already committed by the Congress.

However, again speaking as a realist, I doubt that this can be accomplished at this late date, especially since it is necessary for highway departments to plan ahead.

Mr. President, I have tried to consider what could be done to salvage some measure of relief for the automotive consumer in this legislation.

I have done so because I am aware that while the proposal is supposedly a temporary transfer of automotive excise taxes to the highway trust fund, I know, too, that in the tax field what is called temporary is often more perma-

nent than that which is said to be permanent.

I also recognize that with the dedication of a portion of the automotive excise taxes to the highway trust fund there will be a distinct tendency, particularly on the part of those who desire to avoid linkage of some other tax to the trust fund, to suggest that the remaining, uncommitted portion of such excise taxes be transferred to the trust fund.

I am aware of these tendencies, as are other Members of this body. Consequently, I propose that Congress demonstrate its good faith and incorporate in the proposed legislation provisions which would not only reaffirm the reduction in the automotive excise tax to 7 percent, scheduled for July 1, 1960, but, in addition, schedule an additional one percentage point reduction in this tax for each of the next 2 fiscal years beginning July 1, 1961, and July 1, 1962, respectively.

The adoption of such a proposal would reassure the automotive purchaser that Congress has no further intention of cementing uncommitted portions of the auto excise tax permanently into the tax structure by transfer to the highway trust fund.

The anticipated loss of revenue would be small. The long-pledged, but not yet realized reduction to 7 percent, which is now scheduled to go into effect July 1, 1960, would, under current estimates, result in a loss of less than \$350 million.

This does not take into account the strong likelihood that such a reduction in automobile excise taxes would result in increased sales and, therefore, additional tax revenues.

In the succeeding 2 years, when the one percentage point reduction per year is contemplated, the annual loss of revenue would total less than \$115 million.

It does not take an accomplished mathematician to figure out that the combined 3-year loss of revenue represents but one one-hundred-and-sixtieth of the revenues needed to sustain a budget of \$80 billion.

Further, I am convinced that the beneficial effect upon auto sales would completely offset this so-called loss with additional tax revenues.

Mr. President, I do not know why I trouble myself and the other Members of this body with a recitation of how small the loss of revenue would be under the amendment which I propose. It is so obvious from the pending legislation itself that the general fund of the Treasury no longer needs the revenue provided by the automotive excise tax.

This is readily apparent from the provisions of the bill which, without regard to the fiscal situation in 1961, transfer over half of the receipts from automotive excise taxes to the highway trust fund, and away from the general fund of the Treasury.

Surely if the general fund of the Treasury can spare the revenues provided by the major portion of the automotive excise taxes, there is no need to deny the automotive consumer the reduction he has long been promised.

All my amendment proposes, in addition, is that we give the automotive consumer the additional pledge that, in exchange for his patience to date, he will receive an additional 1 percentage point reduction in the automotive excise tax annually for a period of 2 additional years.

This is such a minor pledge to such an overwhelming number of people in this country that it is difficult for me to believe that it could not readily be accepted for inclusion in the pending amendment.

I have spoken of this amendment in terms of relief for the automotive consumer.

Last year, when my amendment to cut the auto excise tax in half was before the Senate, I noted that I had previously questioned whether such a reduction would be passed on to the automobile purchaser.

The major automobile companies and dealers at that time assured us in messages which can be found in the CONGRESSIONAL RECORD.

I have been reassured that the pledges made then are still in effect.

Consequently, the consumer would be the real beneficiary of the excise tax reductions which I propose. This would represent a first step to that widely heralded—but elusive—goal of reducing the cost of living.

Mr. President, the text of the amendment I propose is very simple.

I want to emphasize that it costs no money at this time, and consequently would not affect the current budget; it does not affect the operation of the highway program; and its basic purpose is to carry out the promise made to the American people—namely, that this unfair automobile excise tax would be reduced.

My amendment provides that on July 1, 1960, the automotive excise tax rate would be reduced from 10 percent to 7 percent. On July 1, 1961, there will be an additional one percentage point reduction, so that the rate then would be 6 percent. On July 1, 1962, there would be a further one percentage point reduction, so that the ultimate tax rate for automobiles would be 5 percent, which is the amount which the pending legislation proposes to transfer to the Highway Trust Fund, beginning July 1, 1961.

Mr. President, I think this is a fair proposal. I think it can be adopted, now that it is no longer asserted that the revenues from the automotive excise taxes are essential to the fiscal well-being of the general fund of the Treasury.

I hope the Members of this body will support this amendment, in order that the automotive consumers of this country will at last receive the relief they so well deserve.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Michigan yield to me?

Mr. McNAMARA. I am glad to yield.

Mr. WILLIAMS of Delaware. Do I correctly understand that the Senator from Michigan is proposing to cut the excise taxes on automobiles by 5 percent, over a period of 3 years?

Mr. McNAMARA. I propose that early next year, the Korean war tax, which was

three additional percentage points—bringing the total tax from 7 percent to 10 percent—be dropped; and in the next 2 years, we drop or decrease the tax one percentage point each year, leaving a total of 5 percent. This is the amount of the excise tax which the pending bill proposes be used for highway construction purposes.

Mr. KERR. Mr. President, will the Senator from Michigan yield?

Mr. McNAMARA. I am happy to yield to the Senator from Oklahoma.

Mr. KERR. The present rate is 7 percent, is it not?

Mr. McNAMARA. No; the present rate is 10 percent, because we keep extending the Korean war tax of 3 percent, when it was supposed to be cut back.

Mr. KERR. That is aside from the basic 7 percent, is it not?

Mr. McNAMARA. That is correct; it is in addition.

Mr. KERR. I mean insofar as the continuing tax, which is 7 percent, is concerned.

Mr. McNAMARA. But it is now 10 percent.

Mr. KERR. But the 3 percent is for a particular period of time, and the 7 percent is permanent; is not that correct?

Mr. McNAMARA. That is correct.

Mr. KERR. Will the Senator from Michigan tell us how much revenue the total 10 percent produces annually?

Mr. McNAMARA. I have the figures before me.

Mr. ANDERSON. Will not the Senator from Michigan agree that the total cost of his amendment would be \$1,560,000,000?

Mr. McNAMARA. That figure has been stated several times this evening.

Mr. ANDERSON. That total is composed as follows: \$390 million the first year, \$520 million the second year, and \$650 million the third year—or a total of approximately \$1,560,000,000.

Mr. McNAMARA. Yes. It would be an estimated \$520 million a year for a full year period. That would leave the 5 percent.

Mr. KERR. I should like like to go about the matter in a different way, if the Senator from Michigan will permit.

Mr. McNAMARA. Of course.

Mr. KERR. The total amount of revenue from the 10 percent tax is how much?

Mr. McNAMARA. It is twice the amount from the 5 percent, or approximately \$1,200,000,000 a year.

Mr. KERR. \$1,200,000,000 a year?

Mr. McNAMARA. That is correct.

Mr. KERR. Of the total of 10 percent, 3 percent has a termination date in the law; is that correct?

Mr. McNAMARA. That is correct. I want this amendment to be adopted, so that we shall honor our commitment at that time, when we come to it, which is July 1, 1960.

Mr. KERR. That is the termination date of the 3-percent tax, is it?

Mr. McNAMARA. That is correct.

Mr. KERR. If the amendment of the Senator from Michigan were adopted,

there would be written into the law a termination date for half of the 10 percent, would there not?

Mr. McNAMARA. Yes, because there would also be a removal of one percentage point each year, for each of the following 2 years, according to this amendment.

Mr. KERR. So the only continuing part of the tax which would be provided in the law would be the 5 percent; and the proceeds from the 5 percent would go into the trust fund?

Mr. McNAMARA. That is correct.

Mr. KERR. In the absence of continuing legislation with reference to the other 5 percent, the revenue loss after July 1, 1961, which would be the beginning of the fiscal year 1962, would be four-tenths of \$1,200 million; and for the following fiscal year it would be one-half of \$1,200 million; is that correct?

Mr. McNAMARA. That is correct.

Mr. KERR. I merely wish to make clear that the amendment of the Senator from Michigan would have the effect of reducing the amount remaining in the general revenue fund, from this source, to the extent of the figures we have stated during this colloquy.

Mr. McNAMARA. That is entirely correct.

I say there is every justification for doing so. The 3 percent tax was added at the time of the Korean war. These funds are not needed, according to the plan now recommended to us by the House of Representatives and by the Senate Finance Committee.

Mr. KERR. Does the Senator from Michigan mean they are not required?

Mr. McNAMARA. They are not required in the highway trust fund, because we have this plan.

Mr. KERR. I will say to the distinguished Senator from Michigan that, as one member of the Finance Committee which brought this bill to the floor, if I had thought we could have transferred all of the automotive excise tax to the highway trust fund, beginning this fall, and could have gotten the bill signed by the President, I would have endeavored to do so.

The only reason why I, as one member of the committee, voted to limit the action to half of the 10 percent, to go into the trust fund beginning July 1, 1961, was that I thought that would be the most we could take out of the trust fund and still have the bill signed by the President.

I thought there was such an overwhelming necessity to have a highway bill enacted into law that I went along with the program in the Finance Committee.

I hope the Senator from Michigan will not press for the adoption of his amendment, because, frankly, I think its adoption would jeopardize the enactment of the entire bill.

Mr. McNAMARA. I wish to state for the RECORD that I appreciate the frankness of the Senator from Oklahoma. He is always frank and honest about such matters.

But I have stated that I fear that if this guarantee is not given now, it will

be only a matter of time until the U.S. Government will find it expedient to continue this 10-percent tax, which I say is the most unfair tax of all the excise taxes the people pay. The automotive industry carries many times its share of the tax burden, in proportion to the amount carried by any other industry. This tax is a most unfair one.

I am sure that if Senators will give this matter proper consideration, they will not want this tax continued.

Mr. KERR. I agree with the Senator's belief that this tax should be eliminated as soon as it is possible to do so.

But I fear that if we were to eliminate it by means of this bill, instead of helping either the automotive industry or the highway program, we would only get the bill vetoed.

Mr. McNAMARA. My interest is not confined to the automotive industry and the highway program; I am also interested in the consumers—all of the people of the United States.

Mr. KERR. The Senator from Michigan admits, does he not, that if his amendment were adopted, there would be a possibility that the entire bill would be vetoed?

Mr. McNAMARA. Of course there is always a possibility of a veto. Some of the vetoes have been most astonishing to both me and the Senator from Oklahoma, I am sure.

Mr. McCARTHY. Mr. President, let me inquire in what year the 3 percent reduction would go into effect.

Mr. McNAMARA. Beginning July 1, 1960.

Mr. McCARTHY. I do not know that we should be afraid of a veto as the Senator from Oklahoma suggests.

Mr. McNAMARA. I am sure he was being facetious.

Mr. McCARTHY. As I recall, when we extended the excise profits tax, this year, the Senator from Oklahoma submitted an amendment—which was retained in the bill—which repealed, at the end of the fiscal year, the tax on communications; and, as I recall, that amendment involved a tax loss of approximately \$500 million.

Mr. KERR. The Senator is mistaken.

Mr. McCARTHY. Well, I am not sure of the exact cost of the amendment. What was its cost?

Mr. KERR. Approximately \$300 million.

Mr. McCARTHY. And it was to go into effect at the end of the next fiscal year. I think the Senator from Michigan might very well take the same chance, in the case of his amendment.

Mr. McNAMARA. I will gladly run the risk.

Mr. McCARTHY. Particularly since the new Secretary of Commerce, soon after he took office, made a speech in which he boldly said the administration favored tax reduction, but not at this time.

It seems to me that is the position of the Senator from Michigan, in connection with his amendment—namely, to favor tax cuts, not now, but about 1 year from now.

Mr. McNAMARA. Yes; and we already have this commitment to the au-

tomotive consumers and to the automotive industry.

Mr. McCARTHY. The Director of the Bureau of the Budget, when he appeared before us, stated he was not too much concerned, and that they were not quite satisfied with the action taken by the House, because he said that the Secretary of Commerce would submit a report to Congress early in 1961 which would take into account the question of equitable distribution of tax burdens. So they might very well make a recommendation to us taking into account what the Senator is proposing.

Mr. McNAMARA. I thank the Senator.

Mr. HART. Mr. President, will the Senator yield?

Mr. McNAMARA. I yield to my colleague, who is a cosponsor of the amendment.

Mr. HART. I thank the Senator. I hesitate to inject anything for fear that what I might say might be regarded as a nationalistic undertaking which is worthy of the support of only 1 of the 50 States.

As the senior Senator from Michigan has stated, we are talking about a commodity which affects intimately most families in the Nation. The Senate will recall that several months ago the Senate, notwithstanding the then fiscal needs of the Nation, removed one of the excise taxes which had been imposed. As I recall, it affected transportation of passengers for hire. This was done because, among other reasons, there was an element of unfairness in the tax, and travel in most cases was said to be a necessity. At that time I made the motion that we treat similarly the 3-percent post-Korea excise tax. I was beaten. I suggest that this is the way to accomplish the object I sought when I was told the Senate would consider this proposal very quickly when the transition could be reasonably made.

This is precisely the appeal that should be strongest in the presentation of the senior Senator from Michigan. This proposal gives the Senate a reasonable opportunity to make the transition. As the Senator from Minnesota just remarked, it would not bring about the reduction forthwith.

I believe the Senator from Michigan has presented in a very effective fashion and quite realistically a reasonable request not alone of the Big Three, the favorite whipping boys of some of us, but also of Senators and their families who depend upon the output of the Big Three—now the Big Five—in transportation.

I hope the amendment will not be regarded as a gesture by two men from a single State and representing a single interest. I believe this situation affects all.

Mr. McNAMARA. I thank my colleague. The amendment not only affects Members of the Senate and their families, but consumers generally, because nearly everyone uses an automobile to some extent.

I am happy to yield to the Senator from Ohio.

Mr. LAUSCHE. It is my understanding that the Senator from Michigan uses as the basis for his argument the contention that this tax should be reduced in the manner in which he suggests because the bill now pending before us provides that in 1962 the excise tax on automobiles and automobile accessories, of \$802 million, as shown on page 7 of the committee report, should be taken out of the general fund and put into the highway trust fund. That is correct, is it not?

Mr. McNAMARA. Substantially. I do not have the figures before me, but I am sure they are correct.

Mr. LAUSCHE. The inference is that if the Finance Committee says that \$802 million should be taken out of the general fund and put into the highway trust fund, that demonstrates we no longer need the money in the general fund.

Mr. McNAMARA. The Senator is saying what I said in other words just a few minutes ago.

Mr. LAUSCHE. Suppose we do need it in the general fund? What if we ought to be paying off part of our debt, and what if we ought to put our fiscal conditions in a sound position so that people would be willing to buy our bonds. Should we then eliminate this step?

Mr. McNAMARA. I answer the Senator in this way. We could do it in no more unfair way than to continue this system or reinstitute it, as the Senator suggests. I suggest that we do it through our income tax system, under which everybody pays in proportion to his earnings or income.

Mr. LAUSCHE. I can understand the position of the Senator from Michigan.

Mr. McNAMARA. No matter how we cut it, this tax is unfair and should be taken care of.

Mr. LAUSCHE. My concern is the fiscal plight in which we find ourselves.

I do not agree with the budget director or with the committee that at present we are in a fiscal position to take \$802 million out of the general fund in 1962 and put it into the highway trust fund.

Mr. McNAMARA. That is another argument.

Mr. LAUSCHE. That is another argument.

Mr. McNAMARA. I yield the floor.

Mr. ANDERSON. Mr. President, I desire to vote. I shall be very brief. By the terms of the bill, 5 percent of the tax is to be diverted to the highway fund. The Senator from Michigan, with zeal for a great industry in his State, would take the other 5 percent and forgive it. That is a withdrawal of \$1,300 million a year from the Federal Treasury, and that is a substantial amount of money.

Mr. McNAMARA. It has actually happened.

Mr. ANDERSON. No; we are going to forgive 5 percent and divert 5 percent.

Mr. McNAMARA. My amendment affects only one half of that amount. Let us be fair.

Mr. ANDERSON. I am not arguing with the Senator from Michigan as to what his amendment involves.

Mr. McNAMARA. I believe the Senator is being unfair with respect to the amendment before the Senate.

Mr. ANDERSON. The bill already takes out \$650 million. The Senator would take out the other \$650 million, and the difference is \$1,300,000,000. I did not intend to be unfair to the Senator from Michigan.

I point out also that revenue bills originate in the House of Representatives, and while it is true the Senate may vote to change completely by an excise tax of this nature, those Senators who have served in the House, particularly those of us who have served on the Ways and Means Committee of the House, know how that action would be resisted by the House of Representatives. I suggest that this is a poor time to do it, and the amendment ought to be defeated.

Mr. WILLIAMS of Delaware. Mr. President, what I wish to say has nothing to do with the bill before us, but if Congress wants to cut taxes, there is one way to do it and that is to stop spending money. This proposal represents a \$650 million tax cut in the face of a deficit in the period in which the reduction is proposed. I say the amendment should be overwhelmingly defeated.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Michigan [Mr. McNAMARA]. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD (when his name was called). On this vote I have a pair with the Senator from Illinois [Mr. DIRKSEN]. Were he present and voting, he would vote "nay." If I were permitted to vote, I would vote "yea." I therefore withhold my vote.

The rollcall was concluded.

Mr. MANSFIELD. I announce that the Senator from Louisiana [Mr. ELLENDER], the Senator from Missouri [Mr. HENNINGS], the Senator from North Carolina [Mr. JORDAN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Wyoming [Mr. McGEE], the Senator from Montana [Mr. MURRAY], the Senator from Florida [Mr. SMATHERS], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

I also announce that the Senator from Indiana [Mr. HARTKE] and the Senator from Wyoming [Mr. O'MAHONEY] are absent because of illness.

The Senator from Idaho [Mr. CHURCH] is absent on official business attending the Interparliamentary Union Conference in Warsaw, Poland.

I further announce that, if present and voting, the Senator from Louisiana [Mr. ELLENDER], the Senator from Indiana [Mr. HARTKE], the Senator from Missouri [Mr. HENNINGS], the Senator from North Carolina [Mr. JORDAN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Wyoming [Mr. McGEE], the Senator from Montana [Mr. MURRAY], the Senator from Wyoming [Mr. O'MAHONEY], the Senator from Florida [Mr. SMATHERS], and the Senator from Texas [Mr. YARBOROUGH] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from South Dakota [Mr. CASE]

is absent on official business attending the Interparliamentary Union Conference in Warsaw, Poland.

The Senator from New Hampshire [Mr. BRIDGES] and the Senator from Illinois [Mr. DIRKSEN] are necessarily absent.

The pair of the Senator from Illinois [Mr. DIRKSEN] has been previously announced.

If present and voting, the Senator from New Hampshire [Mr. BRIDGES] would vote "nay."

The result was announced—yeas 7, nays 77, as follows:

YEAS—7

Bartlett	Langer	McNamara
Gruening	McCarthy	Morse
Hart		

NAYS—77

Alken	Fong	Morton
Allott	Frear	Moss
Anderson	Fulbright	Mundt
Beall	Goldwater	Muskie
Bennett	Gore	Neuberger
Bible	Green	Pastore
Bush	Hayden	Prouty
Butler	Hickenlooper	Proxmire
Byrd, Va.	Hill	Randolph
Byrd, W. Va.	Holland	Robertson
Cannon	Hruska	Russell
Capehart	Humphrey	Saltonstall
Carlson	Jackson	Schoeppel
Carroll	Javits	Scott
Case, N.J.	Johnson, Tex.	Smith
Chavez	Johnson, S.C.	Sparkman
Clark	Keating	Stennis
Cooper	Kefauver	Symington
Cotton	Kerr	Talmadge
Curtis	Kuchel	Thurmond
Dodd	Lausche	Wiley
Douglas	Long, Hawaii	Williams, N.J.
Dworshak	McClellan	Williams, Del.
Eastland	Magnuson	Young, N. Dak.
Engle	Martin	Young, Ohio
Ervin	Monroney	

NOT VOTING—16

Bridges	Hennings	Murray
Case, S. Dak.	Jordan	O'Mahoney
Church	Kennedy	Smathers
Dirksen	Long, La.	Yarborough
Ellender	McGee	
Hartke	Mansfield	

So Mr. McNAMARA's amendment was rejected.

Mr. ALLOTT. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. JOHNSON of Texas. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MCCARTHY. Mr. President, I offer an amendment, which is at the clerk's desk.

The PRESIDING OFFICER. Does the Senator desire the amendment to be read?

Mr. MCCARTHY. Mr. President, I ask unanimous consent that it may be printed, without reading. I can explain it in a few moments.

The PRESIDING OFFICER. Is there objection? Without objection, the amendment will be printed in the RECORD.

The amendment offered by Mr. MCCARTHY is as follows:

On page 12, line 16, strike all through line 9, page 13, and insert the following:

"SEC. 202. Transfers to Highway Trust Fund.

"(a) TRANSFERS.—Section 209(c) of the Highway Revenue Act of 1956 (relating to transfer to Highway Trust Fund of amounts equivalent to certain taxes) is amended by renumbering paragraphs (2) and (3) as

paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

"(2) EXCISE TAX ON PASSENGER AUTOMOBILES, ETC.—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to—

"(A) that portion of the taxes received in the Treasury after June 30, 1959, and before July 1, 1961, under section 4061(a)(2) of the Internal Revenue Code of 1954 (tax on passenger automobiles, etc.) which is equal to the amount which would have been so received if the tax rate under such section had been 2½ percent in lieu of the applicable rate; and

"(B) that portion of the taxes received in the Treasury after June 30, 1961, and before July 1, 1964, under section 4061(a)(2) of the Internal Revenue Code of 1954 (tax on passenger automobiles, etc.) which is equal to the amount which would have been so received if the tax rate under such section had been 6 percent in lieu of the applicable rate."

At the end of the bill add a new section as follows:

"SEC. 203. Repeal of credit against income tax for dividends received by individuals.

"(a) REPEAL OF SECTION 34.—Effective with respect to taxable years beginning after December 31, 1958, section 34 of the Internal Revenue Code of 1954 (relating to credit for dividends received by individuals) is repealed.

"(b) TECHNICAL AMENDMENTS.—

"(1) The table of sections for part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 is amended by striking out

"Sec. 34. Dividends received by individuals."

"(2) Section 35(b)(1) of such Code is amended by striking out 'the sum of the credits allowable under sections 33 and 34' and inserting in lieu thereof 'the credit allowable under section 33'.

"(3) Section 37(a) of such Code is amended by striking out 'section 34 (relating to credit for dividends received by individuals)'.

"(4) Section 584(c)(2) of such Code is amended by striking out 'section 34 or'.

"(5) Section 642(a) of such Code is amended by striking out the first sentence, and by striking out 'section 34' and 'in the second sentence.

"(6) Section 702(a)(5) of such Code is amended by striking out 'a credit under section 34'.

"(7) Section 854(a) of such Code is amended by striking out 'section 34(a) (relating to credit for dividends received by individuals)'.

"(8) Section 854(b) of such Code is amended by striking out 'the credit under section 34(a)' in paragraph (1) and by striking out 'the credit under section 34' in paragraph (2).

"(9) Section 1375(b) of such Code is amended by striking out 'section 34, section 37, or section 116' and inserting in lieu thereof 'section 37 or 116'.

"(10) Section 6014(a) of such Code is amended by striking out '34 or'.

"(c) EFFECTIVE DATE.—The amendments made by subsection (b) shall apply only with respect to taxable years beginning after December 31, 1958."

Mr. MCCARTHY. Mr. President, this amendment would accomplish three purposes. It accepts the 1 cent a gallon gasoline tax increase, and would earmark it for the highway trust fund. It would repeal the dividend credit. It would transfer funds collected from excise taxes which are imposed upon high-

way users, and which are not now earmarked for the trust fund, to the trust fund in the amount of 2½ percent in 1960, 2½ percent in 1961, and 6 percent in the following years, so that the highway trust fund would be solvent.

Those who are concerned about fiscal responsibility can be assured that the adoption of this amendment would bring additional revenue into the General Treasury. Those who are concerned about the continuation of the highway program would be assured that the amendment would provide adequate funds to continue the program according to the schedule now proposed.

That is the purpose and the effect of my amendment.

Mr. GORE. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield to the Senator from Tennessee.

Mr. GORE. Do I correctly understand that the Senator's amendment would transfer a sufficient amount of funds from the general fund to the highway trust fund to prevent a default to the States?

Mr. McCARTHY. The Senator is quite correct.

Mr. GORE. It would bring more money into the general fund than would be transferred from the general fund?

Mr. McCARTHY. The Senator is quite correct. There would be a \$20 million to \$30 million a year increase in the funds going into the general fund of the Treasury. The amendment would provide for applying the 1-cent increase in the gasoline tax which is recommended by the committee to the highway trust fund, and for a transfer of 2½ percent of the other excise taxes which are not now allocated, for 1959 and 1960, and, following that, a 6 percent transfer, which is now provided.

Mr. President, I ask for the yeas and nays on this amendment.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Minnesota [Mr. McCARTHY].

Mr. LAUSCHE. Mr. President, perhaps other Senators know what the amendment provides. I do not. I should like to ask a number of questions. I hope Senators will indulge me.

First of all, the Senator's amendment subscribes to the 1-cent gasoline tax increase?

Mr. McCARTHY. That is correct.

Mr. LAUSCHE. That would produce, as I understand, \$560 million in 1 year?

Mr. McCARTHY. In the full year 1961; that is correct.

Mr. LAUSCHE. The Senator also proposes to eliminate the dividend credit?

Mr. McCARTHY. That is correct.

Mr. LAUSCHE. Which would produce about \$335 million?

Mr. McCARTHY. Three hundred and thirty-five million dollars, which would go into the general revenues of the Treasury.

Mr. LAUSCHE. That would be \$560 million plus \$335 million?

Mr. McCARTHY. That is correct.

Mr. LAUSCHE. Eight hundred and ninety-five million dollars. What is the other 2½ percent?

Mr. McCARTHY. The 2½ percent is a transfer from the automobile excise tax fund into the highway trust fund. In other words, revenue derived as a result of the repeal of the dividend credit would go into the general fund.

Mr. LAUSCHE. I understand.

Mr. McCARTHY. But we would take the 2½ percent from the automobile excise taxes, which are now in general revenues.

Mr. LAUSCHE. How much would that produce?

Mr. McCARTHY. About \$300 million a year.

Mr. LAUSCHE. So into the highway trust fund would go the 1 penny gasoline tax increase, or \$560 million?

Mr. McCARTHY. Plus about \$300 million.

Mr. LAUSCHE. That would be \$860 million?

Mr. McCARTHY. Yes.

Mr. LAUSCHE. Would anything else go into the highway trust fund?

Mr. McCARTHY. I would add nothing more to what now goes into the highway trust fund.

Mr. LAUSCHE. While the Senator proposes to take out \$300 million, through the 2½ percent provision, from the general fund, he proposes to put in how much?

Mr. McCARTHY. Approximately \$335 million.

Mr. LAUSCHE. I thank the Senator very much.

Mr. McCARTHY. The Treasury would be better off by about \$35 million, and the highway trust fund could be kept current. The Bureau of Public Roads could meet all its commitments to the States, according to the present schedule.

Mr. GORE. Mr. President, it is with some regret that I impose myself further upon the Senate to express my views. I feel very deeply that a working relationship between the Federal Government and the States, which has persisted honorably and cooperatively since 1916, will be breached unless the Congress in some way provides sufficient funds to prevent the highway trust fund from being in default. I have attempted to do this in two different ways. The Senate declined to accept an amendment which I offered 2 months ago, and the Senate has now declined to accept the amendment which I have offered this evening. I accept the decision of the Senate.

Mr. President, I am prepared to support the pending amendment. Regretful as I am to endorse the 1-cent increase in the gasoline tax, the amendment now before us would not only keep the highway trust fund intact and provide funds to keep our highway program on schedule, but it would do that which neither of my amendments would have done—it would provide additional revenue to the Treasury of the United States over and above amounts to be transferred to the trust fund.

I plead with the Senate to agree to the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Minnesota [Mr. McCARTHY]. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. WILEY (when his name was called). On this vote I have a pair with the Senator from Illinois [Mr. DIRKSEN]. If he were present and voting, he would vote "nay"; if I were at liberty to vote, I would vote "yea." I withhold my vote.

The rollcall was concluded.

Mr. MANSFIELD. I announce that the Senator from Louisiana [Mr. ELLENDER], the Senator from Missouri [Mr. HENNING], the Senator from North Carolina [Mr. JORDAN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Wyoming [Mr. MCGEE], the Senator from Montana [Mr. MURRAY], the Senator from Florida [Mr. SMATHERS], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

I also announce that the Senator from Indiana [Mr. HARTKE] and the Senator from Wyoming [Mr. O'MAHONEY] are absent because of illness.

I further announce that the Senator from Idaho [Mr. CHURCH] is absent on official business attending the Interparliamentary Meeting in Warsaw, Poland.

On this vote, the Senator from Massachusetts [Mr. KENNEDY] is paired with the Senator from New Hampshire [Mr. BRIDGES]. If present and voting, the Senator from Massachusetts would vote "yea," and the Senator from New Hampshire would vote "nay."

On this vote, the Senator from Indiana [Mr. HARTKE] is paired with the Senator from Florida [Mr. SMATHERS]. If present and voting, the Senator from Indiana would vote "yea," and the Senator from Florida would vote "nay."

I further announce that, if present and voting, the Senator from Missouri [Mr. HENNING], the Senator from Wyoming [Mr. MCGEE], the Senator from Montana [Mr. MURRAY], the Senator from Wyoming [Mr. O'MAHONEY], and the Senator from Texas [Mr. YARBOROUGH] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from South Dakota [Mr. CASE] is absent on official business attending the Interparliamentary Union Conference at Warsaw, Poland.

The Senator from New Hampshire [Mr. BRIDGES], the Senator from Illinois [Mr. DIRKSEN], and the Senator from Nebraska [Mr. HRUSKA] are necessarily absent.

The Senator from Arizona [Mr. GOLDWATER] is detained on official business.

The pair of the Senator from Illinois [Mr. DIRKSEN] has been previously announced.

If present and voting, the Senator from Nebraska [Mr. HRUSKA] would vote "nay."

On this vote, the Senator from New Hampshire [Mr. BRIDGES] is paired with

the Senator from Massachusetts [Mr. KENNEDY]. If present and voting, the Senator from New Hampshire would vote "nay," and the Senator from Massachusetts would vote "yea."

The result was announced—yeas 40, nays 43, as follows:

YEAS—40

Eartlett	Hart	Mansfield
Bible	Hill	Monroney
Byrd, W. Va.	Humphrey	Moss
Cannon	Jackson	Mundt
Carroll	Johnson, Tex.	Muskie
Clark	Kefauver	Neuberger
Dodd	Langer	Pastore
Douglas	Lausche	Proxmire
Engle	Long, Hawaii	Sparkman
Ervin	Long, La.	Symington
Fulbright	McCarthy	Williams, N.J.
Gore	McClellan	Young, Ohio
Green	McNamara	
Gruening	Magnuson	

NAYS—43

Aiken	Dworshak	Prouty
Allott	Eastland	Randolph
Anderson	Fong	Robertson
Beall	Frear	Russell
Bennett	Hayden	Saltonstall
Bush	Hickenlooper	Schoeppel
Butler	Holland	Scott
Byrd, Va.	Javits	Smith
Capehart	Johnston, S.C.	Stennis
Carlson	Keating	Talmadge
Case, N.J.	Kerr	Thurmond
Chavez	Kuchel	Williams, Del.
Cooper	Martin	Young, N. Dak.
Cotton	Morse	
Curtis	Morton	

NOT VOTING—17

Bridges	Hartke	Murray
Case, S. Dak.	Hennings	O'Mahoney
Church	Hruska	Smathers
Dirksen	Jordan	Wiley
Ellender	Kennedy	Yarborough
Goldwater	McGee	

So Mr. MCCARTHY's amendment was rejected.

Mr. KUCHEL. Mr. President, I move that the Senate reconsider the vote by which the amendment was rejected.

Mr. ANDERSON. Mr. President, I move to lay that motion on the table.

Mr. GORE. I ask for the yeas and nays.

The yeas and nays were not ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from New Mexico [Mr. ANDERSON] to lay on the table the motion of the Senator from California [Mr. KUCHEL].

The motion to lay on the table was agreed to.

Mr. NEUBERGER. Mr. President, on behalf of the Senator from California [Mr. KUCHEL], the Senator from Kentucky [Mr. COOPER], and myself, I offer an amendment, on page 3 of the bill, line 12, to the bottom of the page, strike out section 106; and on page 4, strike out the remainder of section 106, from line 1 to 10, inclusive.

Mr. President, I can summarize very briefly in one sentence what this is about. Then I shall ask for the yeas and nays.

The purpose of the amendment is to eliminate from the bill a provision which would weaken the Federal highway roadside protection standards which were adopted in 1958.

Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. NEUBERGER. Mr. President, I shall try to be very brief.

Last year the Senate Public Works Committee held extensive hearings that continued for weeks, on the question of protecting our interstate highways from billboards and affording machinery whereby State governments, on their own initiative, could enter into voluntary and cooperative agreements with the United States Government to protect scenery and safety along our 41,000 miles of interstate highways. After extensive hearings and prolonged debate in the Senate, an amendment sponsored jointly by the able senior Senator from California [Mr. KUCHEL] and myself was adopted. It was accepted by the House and it was included in the bill which was signed by President Eisenhower.

I emphasize what happened yesterday in the Senate Public Works Committee, of which I am a member. In less than 10 minutes, without hearing any witnesses, either from the administration or the public, the Public Works Committee adopted an amendment which would automatically exclude all areas in municipalities, and areas State-zoned as industrial or commercial, from application of these national policies.

We heard no witnesses from the public. We heard no witnesses from the national administration.

I suggest to Senators that they examine the minority views in the report on the bill, Calendar No. 934. They will find therein a letter dated June 18 from the Under Secretary of Commerce, who is now the Secretary of Commerce, opposing very vigorously, on behalf of the administration, an identical bill which was before the House of Representatives. Yet our committee acted and included this amendment in the bill before us without even hearing the departmental views and learning why the Department of Commerce opposes this measure so vigorously.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. NEUBERGER. I yield.

Mr. CURTIS. Is it not true, however, that the language retained in the bill is a clarification of what Congress intended to do in the prior act?

Mr. NEUBERGER. It certainly is not my opinion that Congress intended to do that. I was one of the sponsors of the language that was adopted last year. I did not have the impression that we intended to automatically exclude all these areas.

I ask the Senator from California [Mr. KUCHEL], who was a sponsor with me, if that was his idea of what we were adopting at that time.

Mr. CURTIS. Certainly it should not be in the province of the Federal Government to determine matters which are clearly a zoning power or a judicial power. I do not have the figures, but if this provision is stricken out, it will add to the cost of that portion of the program.

Mr. NEUBERGER. We consulted with the Bureau of Public Roads today and found that not a single State has asked for exclusion under this provision.

Today we are seeking to continue the policy of leaving it to the States to determine whether they want to exclude municipal areas or State-zoned industrial and commercial areas.

I call attention to the language of the Department of Commerce, in a letter signed by the present Secretary of Commerce, indicating that in certain eastern States virtually the entire interstate system would be excluded from the Federal highway beautification standards.

Mr. CURTIS. But merely transferring that prerogative to the States would not meet the problem, because there are cities in the States which have home rule charters. So the question is entirely up to the municipalities to determine. The language of the bill would leave the decision and the responsibility with the municipalities. Certainly they are interested in the appearance of their highways. They have the power of zoning. That is a responsibility which the Federal Government should not take on.

Mr. NEUBERGER. To begin with, we should not take any such fundamental step without hearing witnesses. I have received telegrams protesting this action from numerous influential groups representing hundreds of individuals throughout the United States. I ask unanimous consent that typical examples be printed at this point in the record.

There being no objection, the telegrams were ordered to be printed in the RECORD, as follows:

WASHINGTON, D.C.,

September 5, 1959.

HON. RICHARD NEUBERGER,
Senate Office Building:

National Council of State Garden Clubs representing over 400,000 members in 47 federated States opposes Kerr billboard amendment in Highway bill H.R. 8678. We urge your best effort to obtain public hearing on Kerr amendment.

Mrs. C. D. SHOEMAKER,
Legislative Committee, National Council,
State Garden Club.

WASHINGTON, D.C.,

September 5, 1959.

HON. RICHARD NEUBERGER,
Senate Office Building:

Confusion and much difficulty would result from inclusion of billboard provision in highway bill without hearing. Important that it be eliminated to allow careful consideration of serious issue.

Mrs. VANCE HOOD,
Chairman, National Roadside Committee.

WASHINGTON, D.C.,

September 5, 1959.

HON. RICHARD NEUBERGER,
Senate Office Building:

The members of the American Association of Nurserymen opposed to Kerr amendment to billboard control legislation passed last year, reported from committee without hearings. We would have appeared in opposition to Kerr amendment if given opportunity. Regulation of billboards within areas embraced by Kerr amendment is important for safety as in other areas. We represent nursery firms, over 1,700, in 47 States. Opposition to Kerr amendment universal.

RICHARD P. WHITE,
President, American Association of
Nurserymen.

WASHINGTON, D.C.,
September 5, 1959.

HON. RICHARD NEUBERGER,
Senate Office Building:

Inclusion of billboard provision in highway bill would be seriously crippling. Should be subject of careful hearing. Hope you can have it removed.

RICHARD W. WESTWOOD,
President, American Nature Association.

MOUNT KISCO, N.Y.,
September 5, 1959.

Senator DICK NEUBERGER:
Senate Office Building, Washington, D.C.:

The Garden Club of America strongly opposes the Kerr proposal which if left in the highway bill would have crippling effect on billboard legislation passed last year. My organization feels this drastic measure should not be included without hearings being held on the same and requests the opportunity to testify at such as to the adverse effects of the Kerr proposal. Above all we feel that it is a violation of States rights in that it deprives these States of its own right of determining the areas to be included in any Federal-State agreement.

Mrs. THOMAS M. WALLER,
Conservation Chairman, Garden Club of America.

MEDIA, PA., September 5, 1959.

Senator RICHARD NEUBERGER,
Senate Office Building, Washington, D.C.:

The Penna. Road Side Council speaks for over a million Pennsylvanians in protesting any amendment to the Federal billboard control law—our legislators in Washington have been informed of our strong opposition.

HILDA FOX,
Chairman, Executive Committee,
Pennsylvania Road Side Council.

WEEKAPAU, R.I.,
September 5, 1959.

RICHARD L. NEUBERGER,
Senate Building, Washington, D.C.:

National Council State Garden Clubs urges your assistance in calling for public hearing on Senator KERR's amendment to H.R. 8678 nullifying progress made by Highway Act of 1958.

CLAIRE M. STIEFF,
Chairman of Legislation.

BALTIMORE, Md.,
September 5, 1959.

RICHARD L. NEUBERGER,
Senate Office Building, Washington, D.C.:

Following wire sent to Senator DENNIS CHAVEZ: "Federated Garden Clubs of Maryland, Inc., with membership of over 4,000 bitterly oppose Kerr amendment to the Fallon roadside control bill, H.R. 5950, and stress the importance of a public hearing."

Mrs. RICHARD N. WILLS,
President.

Mr. NEUBERGER. The Secretary of Commerce is opposed to this provision. We did not even hear from him or his associates in the Bureau of Public Roads.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. NEUBERGER. I yield.

Mr. AIKEN. Is it not true that the cities derive their power of zoning from the States?

Mr. NEUBERGER. Certainly. It is a delegated power. Cities are not sovereign. They have only such powers as are delegated to them by States and counties.

Mr. CLARK. Mr. President, will the Senator yield for a question?

Mr. NEUBERGER. I yield.

Mr. CLARK. Do I correctly understand that the Eisenhower administration is opposed to the action of the committee which the Senator from Oregon now seeks to set aside?

Mr. NEUBERGER. If Frederick H. Mueller, Under Secretary of Commerce, in vigorous, forthright language, speaks for the Eisenhower administration, then certainly the administration is opposed to the action of the committee.

Mr. CLARK. Is not Mr. Mueller at present the Secretary of Commerce?

Mr. NEUBERGER. He is now. When he wrote the letter on June 18, he was Under Secretary of Commerce.

Mr. CLARK. Does not the Senator consider this action by the committee as a turning of its back on what Congress did last year with respect to billboards?

Mr. NEUBERGER. It is a turning of its back on what Congress did last year without giving that provision any valid opportunity to function.

Mr. CLARK. Does not the Senator believe that the action taken by the Committee on Public Works was a violation of the principle of States rights?

Mr. NEUBERGER. I think it was. I think discretion in this matter should be left to the States.

Mr. CLARK. Does not the Senator feel that it is a violation of sound legislative procedure to reverse the action of Congress taken last year, without proper justification for such action?

Mr. NEUBERGER. I certainly do, without hearing from public or administration witnesses.

Mr. CLARK. In the opinion of the Senator from Oregon, is the billboard lobby behind this action?

Mr. NEUBERGER. I cannot say for a certainty, but I believe that if the Senate retains this language in the bill, the billboard lobby will not be unhappy.

Mr. CLARK. I thank the Senator from Oregon for his courtesy.

Mr. CURTIS. Mr. President, I believe this language should remain in the bill. After all, the Federal highway program is costly enough as it is. Extension of the power of the Federal Government to clear the areas adjacent to highways in municipalities is a burden which the Federal Government should not take on.

Furthermore, it was the intent of Congress in the earlier act that certain powers be granted to the States. In the States where cities are granted home-rule charters, we cannot carry out what was contemplated in the House language by excepting interstate highways going through municipalities.

I certainly believe we should not strike out this provision without knowing what additional costs will be incurred by reason of such action. The committee has placed the language in the bill. The amendment ought to be rejected.

Mr. KERR. Mr. President, the committee did not reverse the action of Congress; it confirmed the action of Congress. The amendment provides specifically what the sponsors of the legislation last year told us their proposal would do.

The committee had witnesses before it. I shall call them to the witness stand here and now for the Senate. First I

quote the distinguished senior Senator from California [Mr. KUCHEL]. When he introduced his bill in 1958, in a statement of national policy he specifically covered the main traveled way and all portions of the Interstate System outside incorporated municipalities. In that connection, the Senator from California pointed out—and I quote from the CONGRESSIONAL RECORD of 1958, page 1335:

The State of California, under its Constitution, can exercise its authority in the field of property use only in the areas of my State which lie outside incorporated municipalities.

Now I shall call the distinguished junior Senator from Oregon [Mr. NEUBERGER] to the witness stand. He testified on the bill at page 4539 of the CONGRESSIONAL RECORD of 1958. A cosponsor of the bill, he then said:

We would not want the Federal Government to intrude upon the right and prerogatives of the officials of the States of California and Oregon.

I now call to the stand again the Senator from California [Mr. KUCHEL], who said, at page 4547, of the CONGRESSIONAL RECORD of 1958:

By reason of the problem created by home rule communities, the bill recognizes that under any agreement between the Federal Government and a State, incorporated communities which exercise home rule authority shall be excluded.

I now call to the witness stand the distinguished junior Senator from New Hampshire [Mr. COTTON], who was one of those who participated in this action last year. He said, at page 4845 of the CONGRESSIONAL RECORD of 1958:

As has already been pointed out, the provisions in the bill relating to billboard advertising are essentially restricted to the portions of the Interstate Highway System which are outside the commercial areas, outside the metropolitan areas, and outside the areas which are within the incorporated towns, where advertising is already permitted and in many cases, if not in most cases, already controlled by local and State regulation.

Mr. President, I call again to the witness stand the distinguished junior Senator from Oregon [Mr. NEUBERGER], who said, at page 5099 of the CONGRESSIONAL RECORD of 1958:

The heavy right-of-way acquisition costs are in cities and other heavily populated, commercial, or industrial areas. These, as I have said, may be eliminated from the agreements with the States. Obviously, for example, it would not make sense for a State to purchase billboard-control rights out to 660 feet from both edges of a highway right-of-way that passes between the high, narrow walls of warehouses, or factories of an urban industrial area.

Now I can call the Senator from California to the witness stand; I read from page 1547 of the CONGRESSIONAL RECORD for February 3, 1948:

From a practical standpoint, therefore, the interstate mileage located within cities is not of the highest importance when we think of beautification. Indeed, I venture to suggest that much of the interstate mileage within cities will traverse industrial areas and business or commercial districts which would not present an opportunity to preserve scenic beauty, and which probably would present little opportunity to create it.

Now I call to the witness stand the then Secretary of Commerce, Mr. Weeks, who, when he appeared before the Public Works Committee on March 18, 1957, said—as shown on page 3 of the hearings on Senate bill 963:

State and local zoning laws would be recognized by permitting advertising in areas actually zoned industrial or commercial.

A member of the committee then asked him this question:

You do not contemplate inclusion of municipal areas within the areas to which the standards are applicable?

Secretary Weeks replied:

As I see it, we would not control advertising in business, industrial, or manufacturing areas or land zoned for those purposes. There would be no reason for it.

At the same hearing, Mr. Tallamy, then and now the Director of the Bureau of Public Roads, in the Department of Commerce, said:

If the State, through State zoning, or if the local communities, through their own zoning powers, have zoned those areas for commercial or industrial purposes, then, under this proposal, outdoor advertising would be permitted.

So, Mr. President, I repeat that in referring to the language of the bill, the committee was not reversing the position taken by Congress; instead, the committee was confirming the action taken by the Congress.

The committee did not act without witnesses. It had before it witnesses of the highest dignity and standing. It had the authors of the legislation. It had the Secretary of Commerce, who sponsored the legislation. It had the Director of the Bureau of Public Roads, under whose management the program was put into operation.

Without exception, those witnesses—of great dignity and prestige and influence and position—confirmed what was in the mind of the Congress and in the minds of the sponsors of the legislation when the bill was enacted last year.

It was the purpose of the committee only to clarify and reaffirm what the authors said we were doing, what the Secretary of Commerce said we were doing, what the Director of the Bureau of Public Roads said we were doing, and what the Members of the Senate understood they were doing when they passed the bill which resulted in this legislation.

Mr. NEUBERGER. Mr. President, will the Senator from Oklahoma yield?

The PRESIDING OFFICER (Mr. Byrd of West Virginia in the chair). Does the Senator from Oklahoma yield to the Senator from Oregon?

Mr. KERR. I yield.

Mr. NEUBERGER. Were any one of the statements the Senator from Oklahoma has read to the Senate tonight called to the attention of the committee during the 10 minutes it considered this issue?

Mr. KERR. My good friend was there during those 10 minutes. He knew the pressure under which we were operating. I must say to him that the statements to which I have referred were made in his presence, and some were made by him;

and I am sure the other members of the committee had the same resourcefulness that I had—

Mr. NEUBERGER. Mr. President, the Senator from Oklahoma has not answered my question. He said we had before us in the committee witnesses of the highest character.

Mr. KERR. I did.

Mr. NEUBERGER. We had no witnesses.

Mr. KERR. But I read to the Senate tonight their names and what they said.

Mr. NEUBERGER. Yes; the Senator read that to the Senate tonight. But yesterday at the committee meeting, the Senator from Oklahoma did not read to the committee any statements by anyone. Those are only the Senator's interpretations—

Mr. KERR. Oh, no; I read the exact words; I read them from the record. I read the words used by the Senator from Oregon.

Mr. NEUBERGER. Does the Senator from Oklahoma say he read them to the committee, on yesterday?

Mr. KERR. I read them to the Senate; the matter is now before the Senate.

Mr. NEUBERGER. The Senator from Oklahoma said the committee had before it witnesses of the highest character. When did the committee have such witnesses before it?

Mr. SALTONSTALL and Mr. KUCHEL addressed the Chair.

Mr. KERR. I yield to the Senator from Massachusetts.

Mr. SALTONSTALL. I should like to ask the Senator from Oklahoma a question:

All of us are opposed to advertising on the interstate highways of the country. As I read the amendment, its purpose is to clarify what was done last year, so that in the municipalities and the industrial and commercial areas, when the interstate highways may pass through those areas in incorporated municipalities, the municipalities will be permitted to regulate the advertising in those areas.

Mr. KERR. The Senator from Massachusetts is correct. We were so careful that we limited the area affected by this amendment to that "now zoned," to those "now incorporated." We did not make the amendment broad enough to include areas which may hereafter be included in incorporated municipalities.

Mr. SALTONSTALL. The language used in the amendment states that it applies only to industrial and commercial areas; is that correct?

Mr. KERR. That is correct.

Mr. FULBRIGHT. Mr. President, will the Senator from Oklahoma yield?

Mr. KERR. I yield.

Mr. FULBRIGHT. If the legislative history which the Senator from Oklahoma has read to us shows so clearly that that was the intent, why should we specify it again, now?

Mr. KERR. Because the then Secretary of Commerce said that "State and local zoning laws would be recognized by permitting advertising in areas actually zoned industrial or commercial"; but in spite of the fact that he said that, and in spite of the fact that later he said,

as I see it, that we would not control outdoor advertising in business, commercial, or industrial areas or on land zoned for those purposes, because there would be no reason to do so, they have since that time promulgated regulations, under that statute, whereby they are doing exactly what the sponsors of the legislation said they would not do, and what the Secretary of Commerce and the Director of the Bureau of Public Roads told the Committee on Public Works they would not do.

Mr. KUCHEL and Mr. COTTON addressed the Chair.

Mr. KERR. I yield to the Senator from New Hampshire.

Mr. COTTON. Mr. President, in view of the fact that my distinguished friend the Senator from Oklahoma, has brought my name into this controversy, I should like to suggest to him that when we considered this subject in the last Congress—as he will remember—it is perfectly true that it so happened that the junior Senator from New Hampshire offered an amendment which took out of the highways along which highways would be regulated the highways located in areas where the Interstate System followed already established highways where advertising was already exhibited.

So the restriction applied to the new, virgin highways being built throughout the country.

I am sure that that amendment enabled us to obtain sufficient votes to have the bill passed and to have the regulations go into effect.

But I say to the Senator from Oklahoma that it was the understanding at least of the Senator from New Hampshire, all through the period when we were considering the subject of billboard advertising, in the Public Works Committee, and later on the floor of the Senate, that the Federal Government would not endeavor to place a ban on billboard advertising in those portions of the Interstate System which were actually within the heavily commercial sections of cities.

But the language which has been placed in this bill tonight makes the Senator from New Hampshire apprehensive that when the restriction is excluded entirely from any portion of a highway within incorporated cities, the effect will be—particularly in New England and elsewhere in the eastern portion of the country—that there will be many miles of Interstate System Highways that will be out of sight of commercial areas and will be out of sight of factories; I refer to the miles and miles of such highways that will pass through the edge or the very perimeter of incorporated cities—and, immediately this provision takes effect, it will remove the restrictive provision and take it out of effect, even though the local inhabitants would desire to have the restrictive provision apply.

Mr. KERR. Does the Senator from New Hampshire have before him a copy of the bill?

Mr. COTTON. Yes.

Mr. KERR. I should like to have the Senator from New Hampshire turn to page 4, and examine the language in line 3.

Let me say that it is not our purpose to have what the Senator from New Hampshire fears, done.

I read now from line 3:

This section shall not apply to those segments of the interstate system—

Insert the words—

which traverse commercial or industrial zones within the existing boundaries of incorporated municipalities.

Would that eliminate the fear my friend has?

Mr. COTTON. If we are to legislate on the floor of the Senate, the concession my friend from Oklahoma has made would be very comforting to the Senator from New Hampshire. The Senator from Oklahoma knows how I value his sincerity, but in view of the fact that I sat for many long hours in the Committee on Public Works and noted the complete absence of solicitude on the part of the distinguished Senator from Oklahoma and others who are opposing the amendment tonight for the control of advertising, I am a little reluctant, after a few short minutes, to accept the suggestion as a safe provision to have in the bill on advertising control.

I was much impressed by the observation of the distinguished Senator from Arkansas [Mr. FULBRIGHT] when he asked a very pertinent question: 'If the language of the law is so clear already, what is the purpose of the amendment?' In view of the fact that it was submitted by my friend from Oklahoma and others, who very sincerely and very ably opposed any kind of billboard control, I am still a little afraid that, even though the Senator is very generous in offering the amendment, and even though I would eagerly accept it, I would still like to see this provision stricken out.

Mr. President, despite the sincere assurances given by the Senator from Oklahoma, I must support the amendment offered by the Senator from Oregon [Mr. NEUBERGER].

Mr. KERR. I ask the Senator to offer the amendment suggested, and on behalf of the managers of the bill I will accept it.

I say to the Senator from New Hampshire and to the Senate that I did oppose that part of the bill last year, but the Senate passed it, and the Secretary of Commerce and the Director of Highways told us that they understood it would not apply to zoned and commercial areas, but now they have promulgated regulations which are not consistent with that understanding, and it is our purpose to clarify the law. I shall be glad to accept the words which I read as an amendment of the Senator from New Hampshire.

Mr. COTTON. Will the Senator give us one example of the administration of this act in which the Department of Commerce and the Bureau of Public Roads have controlled advertising in an area which is commercial and in which there should not be control?

Mr. KERR. I say to my good friend from New Hampshire that the regulations are full of such instances. I do not have them before me, but I have examined them, and I say to him sincerely and

correctly that the regulations have been issued, and they are not consistent with the position taken by the Secretary of Commerce. It is the purpose of the amendment only to clarify the law and carry out the will of Congress as stated last year and in accordance with the statement of its sponsors and the interpretation given it by the Secretary of Commerce.

Mr. KUCHEL. Mr. President, the able senior Senator from Oklahoma has called a number of witnesses to speak on behalf of his amendment. The fact that they speak, as it were, in absentia did not for a moment deter my able friend from abusing them and from endeavoring to frighten them. But I submit that the very best witnesses in favor of defeating the amendment of the Senator from Oklahoma are the witnesses whom he called and whose testimony he read. No one who had anything to do with billboard control legislation in the last Congress intended to give any Federal incentives to a State to beautify commercial or industrial areas which any segment of the Interstate Highway System traverses or was about to traverse.

The trouble with the language of the amendment offered by the Senator from Oklahoma is that it is too all inclusive. For example, it begins, "This section shall not apply to those segments of the Interstate System," and so forth. What is "this section"? That is the entire section which deals with the language setting up Federal standards for States to follow if they wish to obtain the Federal incentive payments. It is a section which indicates to States that if they purchase rights-of-way along the path the Interstate System will traverse, there will be an incentive payment from the Government to them. Under the language of the Senator's amendment, the entire section would be eliminated so far as municipalities are concerned.

There are States in the Union which are called home-rule States. Senators know this better than I. In those States—and my State is one example—the cities have the right under their State constitutions to do anything they wish. Obviously the State of California could not enter into an agreement with the Federal Government to control what those cities should do. The constitutions of other States permit the State to declare what shall be zoned and what shall not be zoned, and in those areas surely we should not say in this legislation, as my friend from Oklahoma suggests, that all cities automatically should be cut out. I suggest if there is a problem—and there may well be—it would not be cured by the language of the Senator from Oklahoma. On that basis, I hope the Senate votes down the amendment.

Mr. COOPER. Mr. President, I shall speak only two or three minutes, I do so because I was in the committee when the vote on this amendment was taken, opposed it, and have joined in the amendment to strike it from the bill. As has been said, the vote was 8 to 6 in the committee to carry the amendment. As far as discussion of the amendment was concerned, less than 30 minutes was

spent. There were no hearings. The amendment was adopted without hearing witnesses from the Federal agencies, the States, the municipalities, the areas concerned or interested organizations. It has been said the purpose of the amendment is to clarify provisions of the billboard law enacted last year. In my judgment—and I say this with deference to the distinguished Senator from Oklahoma—it does not clarify the billboard law. It is a radical change in the law passed last year. I shall give my reasons for saying so.

The billboard amendment which was passed last year authorized the Federal Government to enter into cooperative arrangements with the States, to enable the States to take advantage of Federal roadside protection benefits. It was not mandatory upon the States that they should enter into such arrangements. But they could if they desired, enter into arrangements to protect the interstate highway roadsides from unsightly advertising. The effect of this amendment is to deny to the States, and to the communities, the opportunity to enter into any arrangements with the Federal Government to protect roadsides within municipalities, or any part of municipalities through which an interstate highway passes. The amendment excludes from the billboard and advertising legislation enacted last year. All of an interstate road within a municipality. It is a radical change, it is not a matter for the cities alone.

The Federal Government does have an interest in preventing advertising on interstate highways. It pays 90 percent of the money for interstate road construction. Secondly, a municipality should not be able to place a burden of unsightly advertising on interstate travel. Again, signs and billboards affect the safety of persons who use the roads.

The committee amendment takes all authority away from the Federal Government to protect roadsides within municipalities of whatever size. It takes authority away from the States. It leaves such authority wholly to municipalities. It is a radical change. That is the reason I opposed the provision in committee, and joined in the minority report.

Mr. ALLOTT. Mr. President, I wish to address myself to the Senator from Oklahoma. If the Senator will look at line 6 on page 4, I think, on reading the language, he will agree that his amendment should, first of all, be amended so that the two words "where in" are one word. Otherwise, the amendment makes no sense.

Mr. KERR. Mr. President, I think the Senator is correct.

Mr. ALLOTT. Would the Senator accept that amendment?

Mr. KERR. I would.

Mr. NEUBERGER. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. NEUBERGER. I am rather uninformed on this matter, but can a Senator, on the floor, accept an amendment to a bill on behalf of the entire Senate?

The **PRESIDING OFFICER**. The Chair is advised by the Parliamentarian that the Senate would have to vote on the amendment.

Mr. **NEUBERGER**. I thank the Chair.

Mr. **ALLOTT**. Mr. President, I am opposed to the amendment, but I wanted it to make sense, in the event it is adopted; and in order to make sense, the two words "where in" on line 6, page 4, should be one word.

The sole argument for the billboard restriction, in my mind, is not solely one of unification; it is one of safety. The many hours we discussed the sizes of signs will be remembered. The proposal is to exempt industrial areas and municipalities, as they are described, while they still would be able to draw Federal money. Agreements may be entered into with the States, which in turn grant the municipalities whatever authority they may obtain. We offer the States incentives for restrictions as to signs, and yet it is proposed to exempt municipalities. I really think that not only is a question of ethical values involved, but if the amendment is adopted, I think it will increase problems in the highway system as it applies to municipalities.

For that reason I shall oppose the amendment. However, I do want to offer my amendment.

The **PRESIDING OFFICER**. The amendment offered by the Senator from Colorado will be stated.

The **CHIEF CLERK**. It is proposed on page 4, line 6, to strike out the two words "where in" and insert in lieu thereof the one word "wherein."

The **PRESIDING OFFICER**. The question is on agreeing to the amendment by the Senator from Colorado.

Mr. **CLARK**. Mr. President, a parliamentary inquiry.

Mr. **KERR**. Mr. President, if the Senator will yield, let me say that if the amendment of the Senator from Oregon is defeated, and I hope it will be, I will offer both that amendment and the one mentioned to the Senator from New Hampshire.

Mr. **CLARK**. Mr. President, do I correctly understand that the Senator from Colorado has withdrawn his amendment?

Mr. **ALLOTT**. No; it was ruled out of order.

Mr. **CLARK**. Mr. President, a parliamentary inquiry.

The **PRESIDING OFFICER**. The Senator will state it.

Mr. **CLARK**. A vote for the Neuberger amendment is a vote to delete the billboard provision which the Senator from Oklahoma has so clearly explained. Is that correct?

The **PRESIDING OFFICER**. The Chair does not place any interpretation upon amendments.

Mr. **CLARK**. A parliamentary inquiry, then. Is a "yea" vote on the Neuberger amendment a vote to strike from the bill the provision which has to do with billboards?

The **PRESIDING OFFICER**. The Chair wishes to advise the Senator from Pennsylvania that a "yea" vote would strike section 106 of the bill.

Mr. **CLARK**. I thank my friend, the Presiding Officer.

Mr. **CARROLL**. Mr. President, as a member of the Public Works Committee, I worked on the so-called billboard legislation. It seems to me, in view of the record we are making this evening, this should be said. The Senator from Arkansas has asked the question, "What is the reason for clarification?" The answer is that a regulation has been promulgated by the Secretary of Commerce.

I can say to my colleagues that I have an interest in this legislation. I was almost the "swing" vote on this matter to get it out of committee.

My information is that no State has asked for an exclusion under this regulation since it was promulgated. That fact raises the question, What is the necessity for it? While I do not say it is improper, I do think it is highly inadvisable to make such a change in this important piece of legislation, which was so controversial such a short time ago, without having hearings; and I hope the amendment of the Senator from Oregon will be adopted.

Mr. **NEUBERGER**. Mr. President, I call to the attention of the Senate the fact that we consulted the Bureau of Public Roads as late as 6 o'clock this evening. They told us not one State had asked for exclusion of municipal areas under this act.

Mr. **JOHNSON** of Texas. Mr. President, a parliamentary inquiry.

The **PRESIDING OFFICER**. The Senator will state it.

Mr. **JOHNSON** of Texas. Has any action been taken on the Allott amendment?

The **PRESIDING OFFICER**. No action has been taken on the Allott amendment.

Mr. **JOHNSON** of Texas. Is the amendment not in order?

The **PRESIDING OFFICER**. The question now is on agreeing to the Allott amendment.

Mr. **ALLOTT**. Mr. President, I have not withdrawn it. I was told it was out of order. I offer it.

Mr. **JOHNSON** of Texas. Mr. President, there has been no such ruling, has there?

The **PRESIDING OFFICER**. The amendment is not out of order. The question is on—

Mr. **KERR**. Mr. President, I ask the Senator to withdraw his amendment for this reason: If the amendment of the Senator from Oregon is agreed to, the section is out of the bill. If it is not agreed to, the Senator from Oklahoma has said he will join the Senator from Colorado in offering the amendment.

Mr. **ALLOTT**. I have no objection to withdrawing it.

The **PRESIDING OFFICER**. The question is on agreeing to the amendment offered by the junior Senator from Oregon. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. **MANSFIELD**. I announce that the Senator from Louisiana [Mr. **ELLENBER**], the Senator from Rhode Island

[Mr. **GREEN**], the Senator from Missouri [Mr. **HENNINGS**], the Senator from North Carolina [Mr. **JORDAN**], the Senator from Massachusetts [Mr. **KENNEDY**], the Senator from Wyoming [Mr. **McGEE**], the Senator from Montana [Mr. **MURRAY**], the Senator from Florida [Mr. **SMATHERS**], and the Senator from Texas [Mr. **YARBOROUGH**] are absent on official business.

I also announce that the Senator from Indiana [Mr. **HARTKE**], and the Senator from Wyoming [Mr. **O'MAHONEY**] are absent because of illness.

I further announce that the Senator from Idaho [Mr. **CHURCH**] is absent on official business attending the Interparliamentary Conference at Warsaw, Poland.

I further announce that, if present and voting, the Senator from Missouri [Mr. **HENNINGS**] would vote "yea."

Mr. **KUCHEL**. I announce that the Senator from South Dakota [Mr. **CASE**] is absent on official business attending the Interparliamentary Union Conference at Warsaw, Poland.

The Senator from New Hampshire [Mr. **BRIDGES**], the Senator from Illinois [Mr. **DIRKSEN**], and the Senator from Nebraska [Mr. **HRUSKA**] are necessarily absent.

The Senator from Arizona [Mr. **GOLDWATER**] is detained on official business.

On this vote, the Senator from New Hampshire [Mr. **BRIDGES**] is paired with the Senator from Nebraska [Mr. **HRUSKA**]. If present and voting, the Senator from New Hampshire would vote "yea," and the Senator from Nebraska would vote "nay."

The result was announced—yeas 39, nays 44, as follows:

YEAS—39

Aiken	Douglas	Magnuson
Allott	Engle	Martin
Beall	Fulbright	Morse
Bible	Gore	Neuberger
Bush	Gruening	Pastore
Butler	Humphrey	Prouty
Byrd, W. Va.	Jackson	Proxmire
Carroll	Javits	Scott
Case, N.J.	Johnston, S.C.	Smith
Clark	Keating	Symington
Cooper	Kefauver	Wiley
Cotton	Kuchel	Williams, N.J.
Dodd	Lausche	Young, Ohio

NAYS—44

Anderson	Hayden	Moss
Bartlett	Hickenlooper	Mundt
Bennett	Hill	Muskie
Byrd, Va.	Holland	Randolph
Cannon	Johnson, Tex.	Robertson
Capehart	Kerr	Russell
Carlson	Langer	Saltonstall
Chavez	Long, Hawaii	Schoeppel
Curtis	Long, La.	Sparkman
Dworshak	McCarthy	Stennis
Eastland	McClellan	Talmadge
Ervin	McNamara	Thurmond
Fong	Mansfield	Williams, Del.
Frear	Monroney	Young, N. Dak.
Hart	Morton	

NOT VOTING—17

Bridges	Green	McGee
Case, S. Dak.	Hartke	Murray
Church	Hennings	O'Mahoney
Dirksen	Hruska	Smathers
Ellender	Jordan	Yarborough
Goldwater	Kennedy	

So Mr. **NEUBERGER**'s amendment was rejected.

Mr. **KERR**. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. JOHNSON of Texas. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KERR. Mr. President, I offer an amendment, on page 4, line 6, as suggested by the Senator from Colorado, to correct what is clearly a typographical error, where the words "where in" are shown as two words instead of one. I offer an amendment for the word "wherein" to be shown as one word.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Oklahoma.

The amendment was agreed to.

Mr. KERR. Mr. President, beginning at line 3, page 4, with the words "this section shall not apply to those segments of the Interstate System," I offer an amendment to add the words, as I suggested to the Senator from New Hampshire, "which traverse commercial or industrial zones," before the words, "within the presently existing boundaries of incorporated municipalities."

Mr. HOLLAND. Mr. President, will the Senator from Oklahoma restate those words?

Mr. KERR. Between lines 4 and 5 add the words "which traverse commercial or industrial zones."

Mr. HOLLAND. After the word "System"?

Mr. KERR. Yes, and before the word "within".

Mr. HART rose.

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Michigan?

Mr. KERR. I yield to the Senator from Michigan.

Mr. HART. The Senator from California, who supported the Neuberger amendment, emphasized the opening words "This section" as meaning the section in its entirety shall not apply to these industrial areas. I wonder if it is true that "This section" includes items others than regulation of advertising.

Mr. KERR. If the Senator thinks it does I will offer a corrective amendment on that as soon as this amendment is acted upon.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. KERR. I yield.

Mr. COTTON. I thank the Senator for offering the amendment. This will clarify the matter and go far to guard against the things the Senator from New Hampshire feared with regard to the outer perimeters of an incorporated city.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Oklahoma.

The amendment was agreed to.

Mr. KERR. Mr. President, in order that there may be no doubt about the question raised by the Senator from Michigan, on page 4, line 3 before the word "This" I offer an amendment to read as follows:

Agreements entered into between the Secretary of Commerce and State highway departments under

In other words, instead of the language being "This section shall not apply," it would clearly state that the amendment refers only to "Agreements entered into between the Secretary of Commerce and State highway departments under this section."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Oklahoma [Mr. KERR].

The amendment was agreed to.

Mr. JOHNSON of Texas. Mr. President, I ask for the yeas and nays on passage of the bill.

The yeas and nays were ordered.

Mr. KEFAUVER. Mr. President, I offer, for myself, my colleague [Mr. GORE], and the Senator from Mississippi [Mr. EASTLAND], the amendment which is at the desk, and I ask to have it stated.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The CHIEF CLERK. On page 6, after line 15, it is proposed to insert a new section, as follows:

"Sec. 108. Increase in amount authorized for bridges over Federal dams.

That subsection (d) of section 320 of title 23, United States Code, entitled "Highways", is amended by striking out "\$10,000,000" and inserting in lieu thereof "\$13,000,000."

Mr. CHAVEZ. Mr. President, it was the idea of the committee and the committee itself that this should be brought up by separate legislation. However, I believe we will be justified in taking it to conference anyway, and I will accept the amendment if it meets the approval of the Senate.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Tennessee [Mr. KEFAUVER].

The amendment was agreed to.

Mr. MORSE. Mr. President, am I in order if I make a brief statement on the bill?

The PRESIDING OFFICER. The Senator from Oregon is in order. The Senate will be in order.

Mr. MORSE. Mr. President, I am perfectly willing to have the bill go to third reading.

The PRESIDING OFFICER. The question is on the engrossment of the amendments and third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

Mr. MORSE. Mr. President, I shall be very brief. In fact, I shall insert most of my remarks in the RECORD.

I think it is well known to the Senate that I am opposed to any increase whatsoever in the gasoline tax. I am opposed to Federal sales taxes. I am opposed to oppressive taxes.

Mr. President, I think that taxes ought to be based on ability to pay. The question is raised as to how would the Senator from Oregon raise the money needed for Government services. Would he increase the income tax? To those suggesting that an increase in the income taxes is something unthinkable and hor-

rible, my answer is I would increase the income tax if that is the alternative to increasing sales taxes.

Mr. President, I would eliminate the loopholes in the present tax structure, many of which this body itself helped create in 1954.

Mr. President, I would make great savings in the foreign aid program, by which we are wasting hundreds and hundreds of millions of dollars and not helping improve America's foreign relations.

I would come to grips, Mr. President, with that type of waste.

I would seek to bring some benefits to our own people in order to strengthen our own economy in time, Mr. President, while we still have the time to win this great fight for peace and freedom. We cannot do it, Mr. President, if we continue to impose further and further taxes in this country not based upon ability to pay, but pass the burden onto the backs of people least able to pay, as is, once again, being done in this proposed legislation.

It is difficult to obtain figures which show just who pays the gasoline tax, and in what proportion to the total income of the taxpayer.

But I have obtained from the Library of Congress the "Study of Consumers Expenditures for 1956," which throws a lot of light on the regressiveness of the gasoline tax.

The "Study of Consumer Expenditures" shows the amount of income spent on gasoline and motor oil by income group, ranging from those families with incomes under \$2,000 a year to those with incomes of \$10,000 a year and over.

They show that in 1956, families with incomes under \$2,000 a year spent \$79 for gas and oil for their cars, or 7.9 percent of their income; families with \$2,000 to \$3,000 spent \$124 or 4.9 percent; the group from \$3,000 to \$4,000 spent \$147, or 4.2 percent; from \$4,000 to \$5,000 spent \$168, or 3.7 percent; the group from \$5,000 to \$7,000 spent \$190, or 3.2 percent; and the families having incomes ranging from \$7,000 to \$10,000 spent \$205 for gas and oil, or 2.4 percent of their income.

Mr. ANDERSON. May we have order, please, Mr. President?

SEVERAL SENATORS. May we have order?

The PRESIDING OFFICER. The Senate will be in order.

The Senator from Oregon may proceed.

Mr. MORSE. Mr. President, the Federal gasoline tax bears a reasonably ratio to the expenditure on gas and oil, although the quality of the gasoline purchased would make some difference. One must take into consideration, too, the heavy tax which many States also levy upon gasoline.

Although the total amount spent for these items goes up with income, it does not go up nearly as fast as income, and hence becomes a smaller percentage of the higher incomes.

Mr. President, it has been my opinion since this debate first started that the Senator from Tennessee [Mr. GORE], has been a great statesman and leader on this issue. I have followed him in

most particulars in regard to it. I am sorry to see tonight that the Senate is voting to press this yoke of a regressive Federal sales tax upon the gasoline users of this country. I fear it also from the standpoint of its precedential implications. It is another move to get a little bit more of the camel's body under the tent.

Mr. President, we have to take a much firmer stand than we are taking in Congress against the ever increasing trend toward a Federal sales tax. I have had something to say on this subject on different occasions in the past. On August 26, 1959, in a radio statement broadcast in my State I discussed the Federal gasoline tax problem. I ask unanimous consent that it may be included in the RECORD at this point in my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

RADIO BROADCAST OF SENATOR WAYNE MORSE,
AUGUST 26, 1959

Fellow Oregonians, one of the hottest issues of the closing weeks of this session of Congress is the one shaping up over how to finance the Federal highway program which was authorized in the Highway Act of 1956.

You will recall that in that act of 3 years ago, a new Interstate Highway System was authorized, for which the Federal Government would pay 90 percent of the cost and the States 10 percent. This network is to be in addition to the regular primary, secondary, and urban roads to which the Federal Government already contributes.

At the same time, it was provided that these new roads would be paid for through highway use taxes which were imposed or increased, and which were to go into a new highway trust fund. Of course, many highway use taxes were already in existence. There was an excise tax on new cars, taxes on trucks, auto accessories, and a 2 cents a gallon sales tax on gasoline. In 1956, the gasoline tax was raised to 3 cents, and the entire 3 cents, plus some new taxes on tires, trucks, and diesel fuel were diverted into the highway trust fund.

I had many reservations about this type of financing, which I expressed at the time. But all objections were overridden in the interest of getting the new roads under construction.

Early last year, when the sharp recession of late 1957 and 1958 was underway, the Congress ordered a speedup in the entire highway construction program in order to keep industry busy and to keep men at work. But the result was that construction proceeded faster than the trust fund collections provided for. Because the Highway Act required—mistakenly, in my opinion—that these roads be paid for with trust fund collections only, work on them has come to a halt in several States, including Oregon.

Now the administration, which insisted upon the trust fund financing of these roads in 1956, is insisting that the gasoline tax be raised again so construction may continue. But in making this plea, the administration spokesman avoid telling you, the motorist the whole story. Part of what they avoid mentioning is that not all the highway use taxes were diverted into the highway trust fund in 1956. In fact there are additional taxes upon motorists amounting to a total of \$1½ billion which go into the general Treasury and not into the trust fund at all. So the trust fund gets only \$2 billion of the roughly \$3½ billion which truckers and motorists pay for the privilege of getting behind the wheel of an automobile.

These other taxes are the 10-percent sales tax on new cars, the sales tax on lubricating oil for your car, the sales tax on auto parts and accessories, and part of the tax on trucks and buses.

So the real issue is not just whether highway users should pay for new highways, but whether they should pay for new highways and for other services of Government, too. As I did in 1956, I take the view that good roads are not a special service provided only for the comfort and ease of those who drive, but are a service to the entire community and all who live and do business in it. For example, every time Congress is asked to finance the foreign aid program for another year, administration spokesmen come before us to request hundreds of millions of dollars in funds to build highway systems in the underdeveloped countries of Asia and Africa. They are justified on the ground that a road system is vital to their economies, to the promotion of their business activity, of commerce, and trade. But unfortunately, the administration does not take that view of roads here at home. Here at home, the President wants new roads to be charged to those who actually travel on them, regardless of the benefits in trade and business they promote for the manufacturer, the hotel owner, the garages, and oil companies who profit from truck and auto traffic.

That is why I am staunchly opposed to this request that the gasoline tax be raised again, this time from 3 cents per gallon to 4½ cents. I regard it as unfair for three reasons: First, other highway taxes are going into the Treasury; second, roads are not of benefit and profit solely to those who use them, and in the same proportion; and third, the gasoline tax is a regressive sales tax which runs exactly counter to the principle of ability to pay taxation.

To take the first of these objections, I believe that until all highway use taxes go into the trust fund, there is no reason to raise the gasoline tax. If it is really as important as the administration says it is that motorists and trucks finance the new roads, then all of those particular taxes should go into highway construction. Therefore, I am supporting proposals made by Senator GORE, of Tennessee, Senate author of the Highway Act of 1956, to divert these other highway taxes into the trust fund, along with the gasoline tax.

My second objection is to the whole principle that only road users should pay for the roads. How much profit do you suppose the businessmen, manufacturers, and service industries of your town or city would lose, if all the roads in your town or city and all the roads connecting with other towns and cities suddenly disappeared? If you can imagine that situation, you have an idea of the stake which our whole economy has in the highway system. That is why I believe roads, like other services of Government, should be financed by general taxation. Diversion of present highway use taxes out of the Treasury, or general appropriations from the Treasury would both accomplish that objective.

Third, I am opposed to the trend toward consumer sales taxes which this pressure for a higher gasoline tax represents. When you hear the argument that taxes must be raised when expenditures are raised in order to keep the budget in balance, be sure you find out just whose taxes it is that are planned to be raised. In my opinion, the basic and most important standard in levying taxes is the standard of ability to pay. Does the tax take the most from those who have the most wealth? Or does it take a larger percentage of income from the little fellow? Where a particular service is involved which is of value almost exclusively to the customer, then it is appropriate to charge reasonable fees; but for general serv-

ices which benefit the entire community or Nation, then I believe they should be paid for on the basis of ability to pay.

Consumer sales taxes, like the telephone and transportation tax, as well as the gasoline tax, are what economists call "regressive," because they take a larger percentage income from a small income than they do from a big income. They are not even what are called "proportionate" taxes, because a proportionate tax takes the same percentage of everyone's income. At the other end of the scale are the "progressive" taxes, which take the largest percentage from the largest incomes. Our Federal income tax is a progressive tax, and is a true ability to pay tax.

There are plenty of loopholes in the ability to pay taxes which should be closed before we talk about raising money from more sales taxes. For example, a few weeks ago the Senate voted by a fairly large margin to close the loophole which gives favored tax treatment to personal income from dividends. This dividend income loophole was created in 1954 by the Eisenhower administration when it had a Republican majority in Congress. This year, the Senate tried to close it, and to gain for the Treasury \$335 million a year in revenue.

But the administration was the leading opponent of that proposal, just as it has been an opponent of the efforts some of us have been making in Congress to reduce or repeal the depletion allowance for oil and gas companies. Because of this opposition by the administration, the House of Representatives did not approve our repeal of the dividend income loophole.

By its opposition to these efforts to increase revenue on the basis of ability to pay, and its insistence upon increasing revenue through more sales taxes, the administration reveals that its real interest is in shifting the tax burden off the upper brackets and onto the lower and middle income groups. Watch for new sales tax proposals to be pushed, if the pressure of the administration for a boost in the gasoline tax succeeds.

I pledge to you that I shall not be a party to these efforts.

Mr. MORSE. Mr. President, in a recent newsletter to my mailing list I discussed the subject of "Dispute Over Gasoline Tax Continues." I ask unanimous consent that it be printed at this point as a part of my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

DISPUTE OVER GASOLINE TAX CONTINUES

The House of Representatives, which must originate tax legislation, is still split over the financing of the highway program. At one time, its tax committee agreed to 1 cent of the 1½ cents a gallon boost requested by the administration. But a proposal to raise it one-half cent and also use for highways some of the 10 percent automobile sales tax which now goes into the Treasury is also under consideration.

Whatever proposal comes to the Senate floor, I shall continue to work for allocation of some of the other auto taxes to roadbuilding, or general appropriations for it. Motor taxes should not be expected to support both roadbuilding and other services of Government. General services of Government should be paid for with taxes based on ability to pay. Sales taxes are just the opposite. They are called "regressive," because they take a bigger percentage of the little fellow's income than of the big fellow's.

The telephone tax, transportation tax, and gas tax are good examples of regressive sales taxes levied upon necessities. They are not even proportionate, because proportionate

taxes take the same percentage of everyone's income. Our Federal income tax is progressive, because it takes a larger percentage as income goes up. It is a true ability to pay tax.

Actually, I share the view of Senator GORE, of Tennessee, Senate author of the Highway Act of 1956, that it was unwise to require the Federal share of new roads to be paid for entirely by a few of the several highway use taxes. A good road system is a general service of government which benefits the whole economy. The need in underdeveloped countries for roads which will aid their business and commerce is often given to the Senate Foreign Relations Committee as a reason for sending them large amounts of money.

Better to close the many tax loopholes enjoyed by big business and big taxpayers to bring additional revenue into the Treasury than raise the gas tax. The Senate voted a few weeks ago to close the loophole for dividend income, and thereby bring \$335 million into the Treasury, well over half the amount another cent of gas tax would bring in. But the administration strongly opposed that change, and it was lost in conference with the House of Representatives.

There are also excessive amounts in the President's budget for foreign aid which are being saved by Congress. We have already cut \$400 million from his foreign aid budget, and I think more will be cut when we actually appropriate the money for it.

Because the economic argument for a higher gas tax is so thin, it is evident that it is really another effort to change from ability-to-pay taxes to sales taxes, and thus shift more of the tax load onto low- and middle-income groups. Watch for more sales taxes to be pushed in the future, if this effort to raise the gasoline tax succeeds.

Mr. MORSE. Mr. President, on still another date I discussed in a newsletter my views in opposition to an increase in the Federal gasoline sales tax. I ask unanimous consent that this material be inserted at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

ADMINISTRATION PUTS SQUEEZE ON CONGRESS

Another phase of political pressure technique in the closing days of a session of Congress is White House attempts to force through expedient measures. The present administration is very adept at these squeeze plays of political expediency. Such legislative proposals are offered as an expedient way of meeting some emergency situation rather than coming to grips with the problem by the passage of long-term legislation containing solutions fair to all.

A good example of political expediency is the drive now on by this administration to pass a law that amounts to a higher sales tax to be imposed upon the users of automobiles to pay for highway construction. This proposal by the White House to increase the Federal gasoline tax from 3 cents a gallon to 4½ cents is blatant expediency and it is grossly unfair.

If you would really like to see what pressure mail sent to a Senator contains, you should read some of my heavy mail urging me to vote for a 1½ cents per gallon increase in the Federal gasoline tax. The administration and the lobby at work for this Federal sales tax are "riding herd" on Congress these days, but I have no intention of being roped in. It is an unfair tax proposal, and all the rationalizations of its proponents can't make it a sound tax based upon the fundamental tax test of ability to pay.

In many States, including Oregon, the important highway construction program authorized in 1956 has come to a halt because the highway trust fund has run out

of cash. Under the 1956 law, new highway user taxes, and an increase in the gasoline tax were levied to finance highway construction. Now, however, the fund is depleted, and construction has been suspended in many States. To remedy the situation, the President insists that the gasoline tax be raised another 1½ cents a gallon on top of the present 3 cents Federal tax.

Once again the public is not being given the facts. It is not being told that an increase in the Federal gasoline tax is both unnecessary and unfair. In urging this remedy, the President does not mention that 42 percent of all the various highway use taxes got into the general Treasury, and only 58 percent of the tax collection goes into the highway trust fund for road construction purposes.

If all these taxes went into the highway trust fund, there would be enough money in the fund to keep the road construction program going on schedule. The public is not being told that none of the 10 percent excise tax on new cars goes into the road construction trust fund, nor does any of the Federal tax on lubricating oil, automobile parts and automobile accessories. Only one-half of the excise tax on trucks, buses, and trailers goes into the fund.

As long as this is true, I do not feel that I can justify voting for another boost in the Federal gasoline tax on the basis of the lame excuse that it is needed for highway construction. I believe we should require all highway use taxes to go into the highway trust fund, or, at least as much as is necessary to keep the road construction program on schedule. If more money than that is needed for roadbuilding purposes, then I believe Congress should appropriate money out of the Treasury itself to keep the authorized road construction program going.

WHY I OPPOSE RAISE IN GAS TAX

First, I think the present 3 cents per gallon Federal gasoline tax is high enough to cover the fair share that the gasoline user should be expected to pay toward highway costs. Don't forget that there are many other Federal excise taxes that the automobile owner must pay in addition to the gasoline tax. Also, don't forget that the user of an automobile is not the only one who benefits from the construction of a road.

Every economic interest that is served by a new road benefits, the owners of real estate along the road and every business to which the road helps to bring customers is benefited. In fact, the entire economic life of each community served by the road is enriched by its construction. Is it fair, therefore, to require the motorists to assume the cost of building the road just because it is easy and convenient to impose a gasoline sales tax and other forms of automobile sales taxes upon them, irrespective of their ability to pay?

All the economic interests of the community should be expected to chip in and help pay for this new capital asset which helps the economy of the entire area. It is my view that such capital investments as roads bring direct and indirect benefits to all the people and therefore, their major cost should be paid out of the general funds of the Treasury.

Second, excise taxes, such as a sales tax on gasoline and automobiles, are regressive taxes. They discourage purchases. They tend to restrict our economy; when we need an ever-expanding economy. I am very much opposed to an extension and enlargement of the excise tax policy. For several years, I have warned the people of our country to be on guard against attempts to use specific sales taxes as a back door approach to the imposition of a general Federal sales tax.

There are selfish economic groups in our country which, in reality, are best able to pay general taxes, but which are hard at

when the cry is raised in the Halls of Congress to increase user taxes and sales taxes in order to relieve themselves of some of the taxes which, in all fairness, they should be expected to pay because of their ability to pay. I have no intention of helping promote their selfish aims by voting for an increase in a gasoline sales tax.

That leads me to point out that tax economists generally agree that excise and sales taxes bear no economic relationship to ability to pay taxes. They are usually adopted by politicians as the line of least resistance when the cry is raised in the halls of Congress that some meritorious program like the road construction program is about to come to an end unless some funds are raised quickly. It is the line of least resistance because the highway contractors and construction unions are organized, but most motorists are not.

However, that is no justification for taking unfair tax advantage of automobile users simply because the politicians know that the use of the automobile has become an absolute necessity in modern American society. Rather, it is our duty as legislators to pass fair tax legislation to meet this highway trust fund emergency.

MORE HIGHWAY-USE TAXES SHOULD BE DEVOTED TO ROAD CONSTRUCTION

Why doesn't the present administration do it? Why doesn't the administration recognize the fairness of requiring that all the money which is now collected from the various automotive sales taxes should go into the highway trust fund for roadbuilding purposes?

Senator GORE of Tennessee, who is the author of the highway bill that brought the highway trust fund into being, has proposed amendments which would do just that. I am supporting those amendments. Senator GORE has proposed amendments to devote 100 percent of the Federal tax now collected on trucks and buses, 50 percent of the tax on lubricating oil, 50 percent of the tax on automobiles, and 100 percent of the tax on automobile parts and accessories to the highway trust fund for roadbuilding purposes. He points out that these revenues, in addition to the present 3 cents per gallon Federal tax on gasoline, amount to about \$964 million. This would be enough to keep the roadbuilding program on schedule. In fact, an increase of 1½ cents in the Federal gasoline tax would raise only \$800 million per year.

THE BALANCE-THE-BUDGET SCARECROW

The administration is opposing Senator Gore's proposal and insisting upon a 1½-cent-per-gallon increase in the Federal gasoline tax because it is a part of the President's balance-the-budget program. Even if we take them at their word, this is no way to balance the budget because it is not based upon the fair principle of ability to pay.

I, too, want to balance the administrative costs of Government with Government income, but I want our tax revenues to be derived from those who ought to pay them, rather than from those whom it is easy to victimize with various regressive excise and sales taxes.

My answer to the administration is that if it sincerely wants to avoid any deficit in connection with highway programs, let it agree to devote all of the highway user taxes to highways, and then make up any losses to the general funds of the Treasury by closing up the tax loopholes now available to big corporate enterprises and personal income taxpayers. The administration's proposal for an increase in gasoline taxes is another way of shifting more of the tax burden off the big fellow onto the consumers.

One of the reasons I fought so hard to eliminate hundreds of millions of dollars of waste in the foreign aid program was to

make the necessary savings for many vitally needed domestic programs such as the highway construction program. Since we passed the foreign aid program in the Senate, the President's own special commission on foreign aid has issued a report in which it, too, points out that there is a great deal of waste in foreign aid.

Again, let me say I am for a sound foreign aid program based primarily upon loans for needed projects that will help the standard of living of the people in underdeveloped countries; but I am against the inexcusable waste of the American taxpayers' money that now honeycombs our foreign aid program. Let the budget balancers show their good faith by joining with us in stopping that waste.

Mr. MORSE. Mr. President, these materials which I have just inserted in the RECORD contain brief summaries of my reasons why I will never vote in the Senate, in view of the present economic situation of this country, for placing a greater burden on the people least able to pay by imposing a higher and higher gasoline tax upon them.

I take the position, Mr. President, in regard to the building of the highways, that it is the responsibility of all the people of the United States to pay for their construction. The burden should not just fall upon those who happen to drive on the highways, because the highways serve all economic interests. Highway construction ought to be paid for out of the Treasury of the United States. We ought to raise taxes based upon ability to pay, Mr. President, and pay for those highways. We ought not follow the line of least resistance, which I think we are following tonight, and that is, to impose an unfair tax upon those who have the least ability to pay.

Mr. RANDOLPH. Mr. President, it was my purpose to speak on this subject. We need affirmative action now to continue the highway program.

I realize the compulsion under which we toil, and I ask unanimous consent that the remarks I had intended to make be included in the RECORD at this point.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

AFFIRMATIVE ACTION NECESSARY TO CONTINUE HIGHWAY PROGRAM

One month ago I spoke in this Chamber and called attention to what I then termed the immediate effects of three stalemates upon the domestic economy of this country. Reference was made to the breakdown of negotiations between management and labor which brought on the protracted steel strike. Then I mentioned the variance of views of the President and the Congress on housing and highway legislation. Neither of the first two of these impasses, the steel strike and housing legislation problems, is any closer to being set aside by solution. In fact, in each instance the country is further away than it was 1 month ago from being the beneficiary of the good that would accrue to the economy and the social order if we were to have a settlement of the steel strike and adequate new housing legislation on the statute books.

It was demonstrated that men of understanding can work toward the desired end of sensible compromise when the committee on conference produced a report that brought many opposites into consonance through the application of give-and-take. The same should have been true with respect to labor-management collective bargaining in the

steel industry and certainly there is no reason for an even worse stalemate to have been brought about with respect to housing legislation by another Presidential veto.

In speaking of the situation as it pertained to the housing problem, I stated that the Senate already had achieved sensible compromise when it accepted the conference committee report on the first housing bill passed by the 86th Congress. I remarked then and reiterate with emphasis now, we can cooperate, when possible, with the executive branch, but we must not abdicate.

Yes, we still have the steel strike as a stalemate blight upon our country's economic progress, and we have another White House sponsored impasse on public housing legislative authority.

But we may be only a step away from bringing to an end the third distressing stalemate to which I referred, on which occasion I deplored the lack of positive action and apparent unwillingness or inability to compromise positions necessary to solve the perplexing problem of highway finance policy and programming.

It was then that I said, too, that we are approaching an economic disaster period, at least in degree, when we trifle with progress in the building and construction industry of the United States—an authority which is dedicating itself to necessary housing and highway programs.

I have opposed an increase of the Federal tax on gasoline as long as taxes paid by highway users to the Federal Government are not dedicated wholly or in substantial part to help pay the national share of the Federal-State highway construction and maintenance programs.

It would be my preference that the gasoline tax be reserved to the States en toto if all other factors in the equation were equal.

At this time, however, a compromise seems to be forced upon us by the exigencies of Executive Department policies and demands on the one side and the pressure of time requirements on the other.

Our first consideration must be that of sustaining the country's highway program which, in turn, ties in so closely with extremely important elements of our economic pattern.

It seems important, in this connection, that we bring into focus the impact of the highway program upon the total economy, and to understand why we must take vital action now, even if it is on the basis of a compromise arrangement for which a substantial number of us as individuals have less enthusiasm than we might have for a measure which would not call for increasing the Federal tax on gasoline.

Since 1957, the highway construction dollar has been expended on an average as follows: 27 percent for labor; 44 percent for materials; 29 percent for equipment and overhead.

For each \$1 billion of highway investment expenditure, 228 million man hours of work have been provided. In terms of payroll, this represents approximately \$500 million per \$1 billion of total highway spending.

This same \$1 billion of highway expenditure for construction also contributes to gross national product, in part, as follows: 510,000 tons of steel; 995,000 tons of bituminous materials; 16 million barrels of cement; 18½ million pounds of explosives; 76½ million tons of aggregate; 122 million gallons of petroleum products.

In addition to these statistics, it is important to bear these figures in mind, too.

For each \$1 billion in excess of the annual rate of \$5.8 billion of highway construction, 345,584 pieces of construction equipment and 22,500 vehicles—cars and trucks—have been contributed to the gross national product.

Indeed, much of the stability of the country's economy hinges upon the progress of

the construction industry, the heavy construction equipment industry, and the supporting supply industries.

By the same token, as the new chairman of my home State's newly formed economic development agency, Lawrence Rogers, is pointing out in a statement this weekend, "Without a comprehensive road program, the State's economic development agency will be virtually powerless to achieve its aims," because "a State master plan is meaningless without the road system to make it work."

Doubtless, the same situation obtains with respect to most States and, as we are fully aware, each State has come to the point of planning its highway network largely around the Federal Interstate or the Federal ABC authorizations and actual allocations made to it by the U.S. Bureau of Public Roads.

In the light of these facts, we have a duty to provide positive action—and without delay—to come to grips with a compromise solution which will provide immediate relief for the pressing problems in West Virginia and the Nation without creating a disastrous delaying action or a stretch-out which would retard highway progress, severely lessen needed employment and force the impairment or liquidation of many construction companies and allied businesses and industries.

Mr. LAUSCHE. Mr. President, some of my constituents back home have repeatedly made statements to the effect that as between financing the highway trust fund by taking moneys out of the general fund, which is now in stringent straits, on the one hand, and decelerating the program, on the other, they would choose the latter. The bill before the Senate provides that there shall be taken out of the general fund, in 1962, \$800 million. The general fund cannot stand that. I will not vote for the bill.

The PRESIDING OFFICER (Mr. BYRD of West Virginia in the chair). The bill having been read the third time, the question is, shall it pass? The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD (when his name was called). On this vote I have a pair with the Senator from Illinois [Mr. DIRKSEN]. If he were present and voting, he would vote "yea"; if I were at liberty to vote, I would vote "nay." I therefore withhold my vote.

The rollcall was concluded.

Mr. MANSFIELD. I announce that the Senator from Louisiana [Mr. ELLENBERGER], the Senator from Rhode Island [Mr. GREEN], the Senator from Missouri [Mr. HENNINGS], the Senator from North Carolina [Mr. JORDAN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Wyoming [Mr. McGEE], the Senator from Montana [Mr. MURRAY], the Senator from Florida [Mr. SMATHERS], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

I also announce that the Senator from Indiana [Mr. HARTKE] and the Senator from Wyoming [Mr. O'MAHONEY] are absent because of illness.

I further announce that the Senator from Idaho [Mr. CHURCH] is absent on official business attending the Interparliamentary Conference in Warsaw, Poland.

On this vote, the Senator from North Carolina [Mr. JORDAN] is paired with the

Senator from Wyoming [Mr. McGEE]. If present and voting, the Senator from North Carolina would vote "nay" and the Senator from Wyoming would vote "yea."

On this vote, the Senator from Indiana [Mr. HARTKE] is paired with the Senator from Florida [Mr. SMATHERS]. If present and voting, the Senator from Indiana would vote "nay" and the Senator from Florida would vote "yea."

I further announce that, if present and voting, the Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Missouri [Mr. HENNINGS], the Senator from Massachusetts [Mr. KENNEDY], and the Senator from Texas [Mr. YARBOROUGH] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from South Dakota [Mr. CASE] is absent on official business attending the Interparliamentary Union Conference at Warsaw, Poland.

The Senator from New Hampshire [Mr. BRIDGES], the Senator from Illinois [Mr. DIRKSEN] and the Senator from Nebraska [Mr. HRUSKA] are necessarily absent.

The Senator from Arizona [Mr. GOLDWATER] and the Senator from Kansas [Mr. SCHOEPPEL] are detained on official business.

If present and voting the Senator from South Dakota [Mr. CASE] and the Senator from Nebraska [Mr. HRUSKA] would each vote "yea."

On this vote, the Senator from New Hampshire [Mr. BRIDGES] is paired with the Senator from Arizona [Mr. GOLDWATER]. If present and voting, the Senator from New Hampshire would vote "yea" and the Senator from Arizona would vote "nay."

The pair of the Senator from Illinois [Mr. DIRKSEN] has been previously announced.

The result was announced—yeas 70, nays 11, as follows:

YEAS—70

Alken	Fong	Monroney
Allott	Frear	Morton
Anderson	Fulbright	Moss
Bartlett	Gore	Mundt
Beall	Gruening	Muskie
Bennett	Hart	Neuberger
Bible	Hayden	Pastore
Bush	Hickenlooper	Prouty
Butler	Hill	Randolph
Byrd, W. Va.	Holland	Russell
Capehart	Humphrey	Saltonstall
Carlson	Jackson	Scott
Carroll	Javits	Smith
Case, N.J.	Johnson, Tex.	Sparkman
Chavez	Keating	Stennis
Clark	Kefauver	Symington
Cooper	Kerr	Talmadge
Cotton	Kuchel	Thurmond
Curtis	Long, Hawaii	Wiley
Dodd	McCarthy	Williams, Del.
Douglas	McClellan	Williams, N.J.
Dworshak	McNamara	Young, Ohio
Eastland	Magnuson	
Engle	Martin	

NAYS—11

Byrd, Va.	Langer	Proxmire
Cannon	Lausche	Robertson
Ervin	Long, La.	Young, N. Dak.
Johnston, S.C.	Morse	

NOT VOTING—19

Bridges	Hartke	Murray
Case, S. Dak.	Hennings	O'Mahoney
Church	Hruska	Schoeppel
Dirksen	Jordan	Smathers
Ellender	Kennedy	Yarborough
Goldwater	McGee	
Green	Mansfield	

So the bill (H.R. 8678) was passed.

Mr. KEATING. Mr. President, I move that the Senate reconsider the vote by which the bill was passed.

Mr. JOHNSON of Texas. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. CHAVEZ. Mr. President, I move that the Senate insist on its amendments, request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer (Mr. BYRD of West Virginia in the chair) appointed Mr. CHAVEZ, Mr. KERR, Mr. McNAMARA, Mr. COOPER, and Mr. MARTIN conferees on the part of the Senate.

CALL OF THE CALENDAR

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that on Monday after the morning business, there be a call of the calendar for the consideration of measures to which there is no objection, beginning with Calendar No. 812.

The PRESIDING OFFICER. Is there objection?

Mr. MORSE. I object.

Mr. MAGNUSON. Mr. President, will the Senator yield? At what time is it expected the Senate will meet on Monday?

Mr. ANDERSON. Objection has been made to the call of the calendar.

Mr. JOHNSON of Texas. We will have to see what time the Senate takes a recess. Objection was made to the call of the calendar on Monday.

EXTENSION OF AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 518, S. 1748.

Mr. MORSE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Oregon will state it.

Mr. MORSE. Will the majority leader tell us what the bill is?

Mr. JOHNSON of Texas. It is the bill to extend the Agricultural Trade Development and Assistance Act of 1954, and for other purposes; the bill which was previously under consideration and which was displaced in order to take up the bill just passed.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill (S. 1748) to extend the Agricultural Trade Development and Assistance Act of 1954, and for other purposes.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the time limitation in connection with Senate bill 1748, to extend the Agricultural Trade Development and Assistance Act of 1954, and for other purposes, not begin to run until the bill is laid before the Senate on Monday.

The PRESIDING OFFICER. Without objection—

Mr. MORSE. I object.

The PRESIDING OFFICER. Objection is heard.

REPORTS OF COMMITTEE ON PUBLIC WORKS

Mr. CHAVEZ. Mr. President, I submit reports from the Committee on Public Works.

PRINTING OF REVIEW OF REPORTS ON CENTRAL AND SOUTHERN FLORIDA PROJECTS, KISSIMEE RIVER BASIN (S. DOC. NO. 53)

Mr. CHAVEZ. Mr. President, I present a letter from the Secretary of the Army, transmitting an interim report dated April 8, 1959, from the Chief of Engineers, Department of the Army, together with accompanying papers and illustrations, on a review of reports on central and southern Florida projects, Kissimee River Basin—Nicodemus Slough area—requested by the Committee on Public Works, U.S. Senate, adopted November 15, 1954. I ask unanimous consent that the report be printed as a Senate document, with illustrations, and referred to the Committee on Public Works.

The PRESIDING OFFICER. Without objection—

Mr. MORSE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Oregon will state it.

Mr. MORSE. In regard to the first matters the Senator from New Mexico sent to the desk, do I correctly understand that the Senator from New Mexico has filed reports from the Committee on Public Works?

Mr. CHAVEZ. Yes, from the Committee on Public Works.

The PRESIDING OFFICER. That is correct; and the Senator from New Mexico has asked to have a document printed.

Mr. MORSE. I thought he requested that the second one be printed as a document.

Mr. CHAVEZ. One is a letter from the Army Engineers, making a report on a project in Florida. The other were incidental bills reported by the Committee on Public Works, for the calendar.

Mr. MORSE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. MORSE. Do I correctly understand—

Mr. JOHNSON of Texas. Mr. President, a parliamentary inquiry: In whose time are we now proceeding? I asked that the time required for the making of insertions in the Record, and so forth, not be charged to the time available to either side under the limitation; but objection was made; and we are now under controlled time.

The PRESIDING OFFICER. Some Senator who has time under his control will have to yield time before any Senator can make a statement at this time.

Mr. MORSE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Oregon will state it.

Mr. MORSE. Is there not before the Senate a unanimous-consent request by the Senator from New Mexico?

The PRESIDING OFFICER. Will the Senator state his inquiry again?

Mr. MORSE. Is there not before the Senate a unanimous-consent request by the Senator from New Mexico?

The PRESIDING OFFICER. The Chair asked whether there was objection to the request for the printing as a document of the material then submitted.

Mr. MORSE. And I proceeded at once to propound a parliamentary inquiry, preparatory to deciding whether I would object.

I respectfully point out to the Chair that I am in a position to reserve the right to object, and I do reserve the right to object; and if I cannot have time in which to inquire about this matter, I will object.

Mr. JOHNSON of Texas. Mr. President, a moment ago, I asked unanimous consent that all Senators might be allowed time in which to make insertions in the RECORD and to present other matters, and that the controlled time not begin to run until Monday, so that Senators could now make insertions in the RECORD and unanimous-consent requests, and so forth.

I renew that request.

The PRESIDING OFFICER. Is there objection?

Mr. MORSE. I object.

I object also to the filing of the papers, and so forth, to be printed as a document.

PRINTING OF CERTAIN NUMBER OF COPIES OF INVESTIGATION INTO FINANCIAL CONDITION OF THE UNITED STATES

Mr. JOHNSON of Texas. Mr. President—

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. JOHNSON of Texas. Mr. President, I yield 1 minute to the Senator from New Mexico [Mr. ANDERSON].

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. ANDERSON. Mr. President, on behalf of the senior Senator from Virginia [Mr. BYRD], and the chairman of the Finance Committee, I submit a resolution for which I request immediate consideration.

The PRESIDING OFFICER. The resolution will be read, for the information of the Senate.

The resolution (S. Res. 187) was read, as follows:

Resolved, That there be printed for the use of the Committee on Finance two thousand five hundred copies of an analysis (part 7) of the hearings entitled "Investigation of the Financial Condition of the United States," held by that Committee during the 85th Congress.

The PRESIDING OFFICER. Is there objection to the request for the present consideration of the resolution? The Chair hears none.

Mr. MORSE. Mr. President, reserving the right to object, let me say that I have no objection to the resolution, as I explained to the Senator from New Mexico, to whom I talked about this matter some time ago.

Mr. ANDERSON. Mr. President, adoption of the resolution is necessary, because the present stock of the hearings has been exhausted. Seven thousand five hundred copies were printed; but the requests made by Senators have exceeded that supply.

Therefore, I should like to have the resolution agreed to.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the resolution (S. Res. 187) was considered and agreed to.

REPORTS OF A COMMITTEE—PRINTING OF REVIEW OF REPORTS ON CENTRAL AND SOUTHERN FLORIDA PROJECTS, KISSIMEE RIVER BASIN (S. DOC. NO. 53)

Mr. CHAVEZ. Mr. President—

Mr. JOHNSON of Texas. Mr. President, I shall be glad to yield to the Senator from New Mexico [Mr. CHAVEZ], if he wishes to make a statement.

Mr. CHAVEZ. Mr. President, I would plead with my good friend, the Senator from Oregon, in connection with the request I have already made. I have reported three bills from the Committee on Public Works. I am not trying to use the time available to any other Member of the Senate or to take advantage of any Senator.

After the committee has taken action on the bills and after they are ordered reported to the Senate, I think it only fair that I be permitted to report them to the Senate.

The PRESIDING OFFICER. Is there objection to receiving the reports submitted by the Senator from New Mexico?

Mr. MORSE. Mr. President, reserving the right to object, I desire to propound a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Oregon will state it.

Mr. MORSE. In reporting the bills from the Committee on Public Works, is the Senator from New Mexico placing those measures in a position in which they may be considered by the Senate, under the rule, after they have been before the Senate for the definite period of time called for by the rule, which, according to my recollection, is 3 days?

The PRESIDING OFFICER. The Chair is advised by the Parliamentarian that the measures reported are not general appropriation bills; thus, the measures reported can be considered after 1 legislative day has intervened.

Mr. MORSE. I thank the Chair.

I have no objection.

The PRESIDING OFFICER. Is there objection to the request of the Senator from New Mexico?

The Chair hears none.

Without objection, the reports will be received, and the bills will be placed on the calendar.

The reports are as follows:

By Mr. CHAVEZ, from the Committee on Public Works, without amendment:

S. 2362. A bill to authorize the Secretary of the Army to convey to the city of Arlington, Ore., certain lands at the John Day lock and dam project (Rept. No. 912); and H.R. 7125. An act to provide for a study of the feasibility of establishing the President Adams Parkway (Rept. No. 910).

By Mr. CHAVEZ, from the Committee on Public Works, with an amendment:

S. 793. A bill to amend title 23 of the United States Code in order to increase the amount authorized for bridges over Federal dams (Rept. No. 911).

The PRESIDING OFFICER. Is there objection to the request of the Senator from New Mexico for the printing of a Senate document?

The Chair hears none; and it is so ordered.

PRINTING OF SUPPLEMENTAL VIEWS

Mr. DOUGLAS. Mr. President—

Mr. JOHNSON of Texas. I yield to the Senator from Illinois.

Mr. DOUGLAS. Mr. President, the junior Senator from Minnesota [Mr. MCCARTHY] and the senior Senator from Illinois [Mr. DOUGLAS] have prepared supplemental views in connection with the report of the Finance Committee approving the increase in the interest rate ceiling on E bonds and H bonds. I ask that our supplemental views may be printed.

Mr. JOHNSON of Texas. Mr. President, I have already obtained consent to have that done.

Mr. DOUGLAS. I was not aware of that.

Mr. JOHNSON of Texas. I was asked to make that request, and I did so.

Mr. DOUGLAS. I thank the majority leader.

PROGRAM ON MONDAY

Mr. JOHNSON of Texas. Mr. President, does any other Senator desire me to yield to him at this time?

If no Senator now desires that I yield—

Mr. HUMPHREY. Mr. President, will the majority leader yield?

Mr. JOHNSON of Texas. I yield.

Mr. HUMPHREY. Will the majority leader give us some guidance and direction relating to the procedure on Monday morning, in connection with Senate bill 1748?

On Monday commence, after the prayer, will there be a morning hour; or will the Senate proceed forthwith after a quorum call, to resume the consideration of Senate bill 1748 and the amendments thereto?

Mr. JOHNSON of Texas. I am afraid I cannot give the Senator that information.

I should like to have the Senate have a morning hour on Monday, and I should like to have Senators be able to transact the public business. But that must be done under a unanimous-consent request; and I do not know whether the request will be objected to or not.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

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For actions of September 9, 1959
86th-1st, No. 159

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HIGHLIGHTS: Page 8

HOUSE

1. FARM LOANS. Agreed to the conference report on H. R. 7629, to extend until June 30, 1961, the authority of the Farmers' Home Administration to make real estate loans for refinancing farm debts. p. 17319
2. MONOPOLIES; DAIRY INDUSTRY. Rep. Lane urged the Secretary to disapprove a proposed amendment to the Boston milk marketing orders because it "encourages monopolistic control and higher prices," stated that small dairy farmers "have been forced out of business by the big milk companies" in certain New England States, and that large distributors and cooperatives have worked toward "absolute control" over milk production and distribution since 1937. pp. 17320-1

3. INTEREST RATES. Conferees were appointed on H. R. 9035, to permit the issuance of series E and H United States savings bonds at interest rates above the existing maximum, and to permit the Secretary of the Treasury to designate certain exchanges of Government securities to be made without recognition of gain or loss (p. 17318). Senate conferees were appointed (p. 17185).
4. MINERALS; LEASING. Received the conference report on S. 2181, to amend the Mineral Leasing Act of 1920 so as to modify oil, gas, coal, and certain other mineral leasing requirements and conditions (H. Rept. 1174) (pp. 17318-9). The conference committee agreed to recommend acceptance of five of the six House amendments to the bill but suggested an amendment to the sixth to assure holders of leases under the Act a right to be dismissed from cancellation or forfeiture proceedings upon showing that they rightfully acquired and carried out the provisions of the leases, and a right to have their leases extended under certain conditions.
5. FOREIGN TRADE; IMPORTS. Rep. Gross charged that foreign countries "are shipping more agricultural products into this country than are being exported," contended that this contributed to the loss in farm income, and placed the blame on the Reciprocal Trade Act. p. 17288
Rep. Barrett termed the importation of Japanese textile products a "grave injustice to our working people," and stated that American industry cannot compete with countries having wage levels as low as Japan's. p. 17321
Rep. Bailey inserted several letters on the subject of whether newspapers have been giving adequate coverage to protectionists (favor high tariffs on foreign goods) in their controversy with those favoring free trade. pp. 17323-5
6. HIGHWAYS; FOREST ROADS. Concurred in the Senate amendments to H. R. 8678, the Federal Aid Highway Act of 1959, including amendments to authorize the Commerce Department to expend money from an emergency fund for the repair or reconstruction in disaster areas of forest highways and forest development roads and trails. Authorizes Federal participation of 100% of the cost of this emergency relief for forest roads (pp. 17288-9). This bill will now be sent to the President.
7. FOOD CONTAMINATION. Rep. King explained his bill H. R. 9150, which he stated is "designed to create a nonpartisan commission to further investigate the entire subject of food and beverage contamination." pp. 17326-9
8. WATER RESOURCES. Rep. McGovern inserted an editorial supporting his plan "calling for slack water navigation on the Missouri River," and stating "the water can be used for power generation, irrigation and domestic purposes as well as for navigation." p. 17333
9. SMALL BUSINESS. Received from the Small Business Administration a report reflecting estimated obligations by principal activities of the Small Business Administration for the period January 1 through June 30, 1959. p. 17338
10. FOOD SURPLUSES; FOREIGN TRADE. The "Daily Digest" states that conferees on H. R. 8609, the Public Law 480 food stamp bill, will meet again today (Sept. 10) since no final agreement has yet been reached. p. D899
11. LEGISLATIVE PROGRAM. Rep. McCormack announced that the House will attempt to override the President's veto on the public works appropriation bill for 1960 (H. R. 9105) the first thing today (Sept. 10). p. 17326

House of Representatives

WEDNESDAY, SEPTEMBER 9, 1959

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D.D., offered the following prayer:

II Timothy 2: 3: *Thou therefore endure hardness, as a good soldier of Jesus Christ.*

Almighty God, with a humble spirit and a contrite heart we are now earnestly beseeching Thee that daily we may have a vivid experience of Thy nearness unto us.

Help us to be more responsive to the influence and guidance of Thy Holy Spirit wherever we find ourselves confronted by hardships and heartaches.

Purge our souls from those aspirations which are alien to the mind and contrary to the will of our blessed Lord.

May nothing dull our capacities for whatever service Thou hast ordained and appointed us to render in our day and generation.

In Christ's name we offer our petition. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. McGown, one of its clerks, announced that the Senate had passed without amendment a bill of the House of the following title:

H.R. 9105. An act making appropriations for civil functions administered by the Department of the Army, certain agencies of the Department of the Interior, and the Tennessee Valley Authority, for the fiscal year ending June 30, 1960, and for other purposes.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 9035. An act to permit the issuance of series E and H U.S. savings bonds at interest rates above the existing maximum, to permit the Secretary of the Treasury to designate certain exchanges of Government securities to be made without recognition of gain or loss, and for other purposes.

The message also announced that the Senate insists on its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. BYRD of Virginia, Mr. KERR, Mr. FREAR, Mr. WILLIAMS of Delaware, and Mr. CARLSON to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the amendment of the House to a bill of the Senate of the following title:

S. 2219. An act to authorize appropriations for construction of facilities for the Gorgas Memorial Laboratory, to increase the authorization of appropriations for the support thereof, and for other purposes.

INTERNATIONAL SITUATION

(Mr. ANDERSON of Montana asked and was given permission to address the House for 1 minute.)

Mr. ANDERSON of Montana. Mr. Speaker, I think it is unfortunate that certain reporters such as Mr. Colegrove and Drew Pearson have selected a time such as this to attack our position in Laos and Vietnam. Their dreary and outdated dredging up of old criticisms serves the purposes of the Communists well, but makes no contribution toward a solution of our problems in that part of the world.

It seems to me that in view of the need for a unified position with our allies in southeast Asia, we would do better to listen to such reporters as Ernest K. Lindley, of Newsweek, and Mr. Joseph Alsop, whose columns are published in the Washington Post. Where some reporters have looked only for sensationalism, Mr. Lindley and Mr. Alsop have visited southeast Asia and viewed the situation there openmindedly and objectively. They have analyzed developments in the Communist aggression in Laos and attempted subversion in Vietnam.

They face up to realities as they point to the difficulties of meeting communism in the jungles and uncharted country that abound.

Most importantly, though, they acknowledge our obligation and responsibility—yes, and our opportunity, to help contain and repel the Communist aggression in southeast Asia.

I am today inserting in the Appendix of the CONGRESSIONAL RECORD the analysis by Ernest K. Lindley which appears in the current Newsweek and the column by Mr. Joseph Alsop which appeared in yesterday's Washington Post.

I spent some little time in Laos, Vietnam, and other parts of southeast Asia last fall. I was tremendously impressed by the accomplishments of our mutual assistance program, by the dedicated and effective anticommunism of the governments of both Laos and Vietnam, and by the competence of our American representatives there.

In the light of my own on-the-ground observations, I feel that the presentations of Mr. Lindley and of Mr. Alsop are thoroughly sound. I hope all my colleagues will turn to the Appendix and read these two thoughtful and constructive articles.

NICHOLAS PETRULLI

(Mr. WALTER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WALTER. Mr. Speaker, I believe it advisable to clarify certain errors which crept into the press reports relating to the renunciation of U.S. citizenship by one Nicholas Petrulli, of Valley Stream, N.Y., during his visit to Moscow.

Our nationality laws traditionally recognize the right to voluntary expatriation. Under the law presently in effect, section 349(a)(6) of the Walter-McCarran Act, a citizen of the United States, whether by birth or naturalization, loses his U.S. citizenship by "making a formal renunciation of nationality before a diplomatic or consular officer of the United States in a foreign state." It appears that Nicholas Petrulli has made such a formal renunciation at the U.S. Embassy at Moscow, in due form as prescribed by regulations promulgated by the Secretary of State. Under the law, his voluntary act of expatriation is final and there is nothing the Department of State has to do except to issue a written certificate of loss of U.S. nationality.

The press has raised the matter of Petrulli's return to the United States, pointing out that he apparently regrets his action and wants to return to the United States. Under the law, he may return to this country as an alien immigrant if eligible under all the applicable provisions of the Immigration and Nationality Act.

Pursuant to section 202(a)(3) of the Immigration and Nationality Act, Nicholas Petrulli, as an alien born in the United States, will be chargeable to the immigration quota of the country of which he is a citizen, or if he is not a citizen or subject of any country, then he will have to come under the quota of the country in which he resides—Soviet Russia in his case. If the press dispatches reporting that Petrulli is married to a citizen of the United States are true, then his wife could file in his behalf a petition requesting the Attorney General to grant him nonquota immigrant status on the ground that he is the spouse of a U.S. citizen.

CORRECTION OF ROLL CALL

Mrs. KEE. Mr. Speaker, on rollcall No. 168, I am recorded as not voting. I was present and answered to my name. I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentlewoman from West Virginia?

There was no objection.

THE STEEL STRIKE

(Mr. HOFFMAN of Michigan asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HOFFMAN of Michigan. Mr. Speaker, in view of the fact that the steel strike has extended such a long time that the AFL-CIO has given a million dollars to assist the strikers, and there is so much unemployment, especially in my State of Michigan, it would seem to be time that the President might well make a request of Mr. McDonald as to whether he is agreeable to hold a secret vote to determine whether the members of the steelworkers' organization would like the strike continued or would prefer to accept the last offer of the company.

There would seem to be no reason why the strike should continue and unemployment spread further than it has.

COMPETITION FROM JAPAN

(Mr. GROSS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GROSS. Mr. Speaker, under the so-called Reciprocal Trade Act, farm exports for the 12-month period preceding July 31 of this year fell below agricultural imports; in other words, foreigners are shipping more agricultural products into this country than are being exported. This has contributed to the \$1 billion loss in net farm income in the first 6 months of this year.

I also learn in an article by Victor Riesel, newspaper columnist, that Japan is getting ready to import into the United States large quantities of \$50 television sets, \$19 transistor radios, and men's ready-to-wear suits at \$15 to \$20 f.o.b. ports of entry.

Mr. Speaker, I suggest that Mr. James B. Carey, president of the AFL-CIO Electrical Workers' Union, instead of spending his time threatening Members of Congress with political extinction, might better devote his time and efforts to working for the members of his union in trying to protect them against Japan's 10-cent-an-hour labor.

AMENDING FEDERAL-AID HIGHWAY ACT

Mr. BUCKLEY. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 8678) to amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 2, after line 15, insert:

"SEC. 104. PARKWAYS.

"For the purpose of carrying out the provisions of section 4(b) of the Federal-Aid Highway Act of 1958 (72 Stat. 93), there is hereby authorized to be appropriated for the construction, reconstruction, and improvement of parkways, authorized by Acts of Congress, on lands to which title is vested in the United States, the additional sum of \$2,000,000 for the fiscal year ending June 30, 1960."

Page 2, after line 15, insert:

"SEC. 105. NATIONAL SYSTEM OF INTERSTATE AND DEFENSE HIGHWAY MILEAGE STUDY FOR ALASKA AND HAWAII.

"The Secretary of Commerce is authorized and directed to make a study of the need for the extension of the National System of Interstate Highways within the States of Alaska and Hawaii, and report the results of such study to the Congress within ten days subsequent to January 4, 1960. The report shall include recommendations as to the approximate routes and mileages thereof which should be included in such system within those States."

Page 2, after line 15, insert:

"SEC. 106. EXEMPTION FROM NATIONAL STANDARDS OF CERTAIN AREAS ADJACENT TO THE INTERSTATE SYSTEM.

"That subsection (b) of title 23, section 131 of the United States Code is amended by striking therefrom the following language: 'Upon application of the State, any such agreement may, within the discretion of the Secretary of Commerce consistent with the national policy, provide for excluding from application of the national standards segments of the Interstate System which traverse incorporated municipalities wherein the use of real property adjacent to the Interstate System is subject to municipal regulation or control, or which traverse other areas where the land use is clearly established by State law as industrial or commercial;' and substituting therefor the following language: 'Agreements entered into between the Secretary of Commerce and State highway departments under this section shall not apply to those segments of the Interstate System which traverse commercial or industrial zones within the presently existing boundaries of incorporated municipalities wherein the use of real property adjacent to the Interstate System is subject to municipal regulation or control, or which traverse other areas where the land use, as of the date of approval of this Act, is clearly established by State law as industrial or commercial:'"

Page 2, after line 15, insert:

"SEC. 107. EMERGENCY RELIEF.

"(a) That section 125 of title 23, United States Code, is amended to read as follows:

"§ 125. Emergency relief

"(a) An emergency fund is authorized for expenditure by the Secretary, subject to the provisions of this section and section 120, for the repair or reconstruction of highways, roads, and trails which he shall find have suffered serious damage as the result of disaster over a wide area, such as by floods, hurricanes, tidal waves, earthquakes, severe storms, landslides, or other catastrophes in any part of the United States. The appropriation of such moneys, not to exceed \$30,000,000, as may be necessary for the initial establishment of this fund and for its replenishment on an annual basis is authorized. Pending such appropriation or replenishment the Secretary may expend from any funds heretofore or hereafter appropriated for expenditure in accordance with the provisions of this title, including existing Fed-

eral-aid appropriations, such sums as may be necessary for the immediate prosecution of the work herein authorized, such appropriations to be reimbursed from the appropriations herein authorized when made.

"(b) The Secretary may expend funds from the emergency fund herein authorized for the repair or reconstruction of highways on the Federal-aid highway systems, including the Interstate System, in accordance with the provisions of this chapter. Except as to highways, roads, and trails mentioned in subsection (c) of this section, no funds shall be so expended unless the Secretary has received an application therefor from the State highway department, and unless an emergency has been declared by the Governor of the State and concurred in by the Secretary.

"(c) The Secretary may expend funds from the emergency fund herein authorized, either independently or in cooperation with any other branch of the Government, State agency, organization, or person, for the repair or reconstruction of forest highways, forest development roads and trails, park roads and trails, and Indian reservation roads, whether or not such highways, roads, or trails are on any of the Federal-aid highway systems."

"(b) Subsection (f) of section 120 of title 23, United States Code, is amended to read as follows:

"(f) The Federal share payable on account of any repair or reconstruction provided for by funds made available under section 125 of this title shall not exceed 50 per centum of the cost thereof, except that the Federal share payable on account of any repair or reconstruction of forest highways, forest development roads and trails, park roads and trails, and Indian reservation roads may amount to 100 per centum of the cost thereof, whether or not such highways, roads, or trails are on any Federal-aid highway system. Any project agreement for which the final voucher has not been approved by the Secretary on or before the date of this Act may be modified to provide for the Federal share authorized herein."

Page 2, after line 15, insert:

"SEC. 108. INCREASE IN AMOUNT AUTHORIZED FOR BRIDGES OVER FEDERAL DAMS.

"That subsection (d) of section 320 of title 23, United States Code, entitled 'Highways', is amended by striking out '\$10,000,000' and inserting in lieu thereof '\$13,000,000'."

Page 3, line 2, strike out "September" and insert "October".

Page 3, line 10, strike out "September" and insert "October".

Page 4, line 5, strike out "September" and insert "October".

Page 4, line 16, strike out "November 30" and insert "December 31".

Page 5, line 4, strike out "1951" and insert "1961".

Page 7, line 17, after "distributor," insert "and a dealer selling gasoline exclusively to producers of gasoline."

Page 8, line 3, strike out "is registered and bonded" and insert "elects to register and give a bond".

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

The Senate amendments were concurred in, and a motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND REMARKS

Mr. HALLECK. Mr. Speaker, I ask unanimous consent that all Members who desire to do so may extend their re-

marks in the RECORD at this point on the highway bill.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

Mr. SMITH of Iowa. Mr. Speaker, there are two aspects of the bill to raise gasoline taxes and apportion funds to the highway trust fund which I find particularly objectionable.

One aspect is failing to fulfill the obligation to the States. The States were promised certain funds for this program but after these States became obligated on road contracts they are now being told under this bill that the Federal Government will only forward 80 percent of the sum that was promised. This is the first time since 1916 that the Federal Government has refused to fulfill a grant-in-aid promise.

While refusing to give the States the amount that was promised, the bill then proceeds to absorb the source of funds the States would use to make up the shortage. Iowa and many States depend primarily upon gasoline taxes as a source of highway funds and, while leaving the States short of funds to pay their highway contracts, this bill raises the Federal gasoline tax and thus absorbs the very kind of revenue the States use to replenish such a shortage.

Under the House rules, alternatives could not be presented unless the House bill was defeated or the Senate amended the bill. The Senate, by a vote of 43 to 40, failed to amend the bill in such a manner that there would be no shortage in the funds due the States. I voted "no" on original passage in protest against failing in our obligation to the States and against absorbing the source of revenue States like Iowa use to make up such a shortage and to encourage and support the drive to amend the bill in the Senate.

The Federal Government is already receiving \$1,483 million more in sales and excise taxes from automotive users than is going into the highway fund; yet an additional sales tax is relied upon as the sole source of additional revenue. It was well understood that enough "no" votes would produce an alternative bill.

Since the amendment failed in the Senate by a vote of 43 to 40, there is no need to carry the fight further at this time in connection with this particular bill; but I still protest the Federal Government ever failing to fulfill a promise to the States and hope something can still be done in another bill to correct this situation.

CONSTRUCTION OF A RAIL TRANSIT CROSSING ACROSS THE BAY OF SAN FRANCISCO

Mr. BLATNIK. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 8171) amending the act of February 20, 1931, as amended, with respect to a rail transit crossing across the bay of San Francisco.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

Mr. GROSS. Mr. Speaker, reserving the right to object, does this bill provide for any Federal expenditure, and if so, how much?

Mr. BLATNIK. This provides no Federal expenditure and there is no cost to the Federal Government.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (b) of section 2 of the Act entitled "An Act granting the consent of Congress to the State of California to construct, maintain, and operate a bridge across the Bay of San Francisco from the Rincon Hill district in San Francisco by way of Goat Island to Oakland", approved February 20, 1931, as amended, is amended to read as follows:

"(b) The State of California is authorized to fix, charge, and collect tolls for the use of such bridge to pay the costs of engineering, planning, constructing, reconstructing, making alterations, additions, betterments, improvements, and extensions (including reasonable interest, financing, and refunding costs, and suitable reserves), and the costs of maintaining, repairing, and operating of not to exceed two additional highway crossings and one rail transit crossing across the Bay of San Francisco and their approaches. The State of California is also authorized to fix, charge, and collect tolls for the use of such additional highway crossing or highway crossings. After a fund shall have been provided from the tolls collected for the use of the bridge referred to in the first section of this Act and from tolls charged for the use of such additional highway crossing or highway crossings sufficient to pay all costs referred to in clauses (2) and (3) of subsection (a) and also all costs of such additional highway crossing or highway crossings, such rail transit crossing, and their approaches (including the costs of all reconstruction, alterations, additions, betterments, improvements, and extensions thereof and all interest, financing, and refunding costs, and suitable reserves), such bridge and such additional highway crossing or highway crossings shall thereafter be maintained and operated free of tolls, or the rates of toll shall thereafter be adjusted so as to provide a fund of not to exceed the amount necessary for the proper maintenance, repair, and operation of such bridge and such additional highway crossing or highway crossings and their approaches, under economical management. An accurate record of the costs of such bridge, such highway crossing or highway crossings, such rail transit crossing, and their approaches, the expenditures for maintaining, repairing, and operating such bridge and such additional highway crossing or highway crossings and of the daily tolls collected, shall be kept and shall be available for the information of all persons interested. Nothing herein shall impair or limit the full power and authority of the State of California or any public body in such State to provide for the use of such rail transit crossing and the fixing, charging, and collection of fares and charges in connection with the transportation of goods or passengers by means of such rail transit crossing."

The bill was ordered to be engrossed and read a third time, was read the third

time, and passed, and a motion to reconsider was laid on the table.

THE WAUKEGAN PORT DISTRICT

Mr. BLATNIK. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (H.R. 5738) to authorize the Secretary of the Army to transfer to the Waukegan Port District the commitment of the city of Waukegan, Ill., to maintain a public wharf in Waukegan Harbor on land conveyed to the city in 1914, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

Mr. HOFFMAN of Michigan. Mr. Speaker, reserving the right to object, does this one cost any money?

Mr. BLATNIK. There is no expenditure involved.

Mr. HOFFMAN of Michigan. Does the gentleman have any more that will not cost anything, any other bills that do not cost anything?

Mr. BLATNIK. For the moment I do not have any.

Mrs. CHURCH. Mr. Speaker, this is a simple bill, and I am very grateful to the gentleman from Minnesota for bringing it up at this time. H.R. 5738 would merely authorize and direct the Secretary of the Army, or his designee, to accept the reconveyance from the city of Waukegan, Ill., of certain property which was transferred to the city by deed on August 17, 1914, from the then Secretary of War; and at the same time convey said property to the Waukegan Port District without payment of monetary consideration therefor, but subject to those conditions under which the original conveyance in 1914 was made to the city of Waukegan. These conditions involve commitment by the port district, its successors and assigns, to assume the city's obligation under the August 17, 1914, deed to maintain a public wharf and continuing right-of-way in connection therewith.

It is further provided that in the event that the property is not used for the above-mentioned purpose, title thereto shall, at the option of the Secretary of the Army, revert to the United States of America for immediate entry thereon.

In other words, Mr. Speaker, this measure involves reconveyance of land from the city of Waukegan to the U.S. Government and further conveyance from the U.S. Government to the Waukegan Port District.

May I briefly point out that under the 1914 deed, the Secretary of War, under authority of an act of Congress of June 13, 1902, conveyed to the city of Waukegan 4.6 acres of land comprised of a portion of the area previously donated by the city and partially of accreted lands. At the present time a port district, authorized by the State of Illinois, has been formed in Waukegan and has taken over the responsibility previously carried out by the city for the harbor. It is anticipated that development of this

important natural harbor will permit the city and the surrounding area to take advantage of the great opportunities for expansion of traffic and industry resulting from the development of the St. Lawrence Seaway and the deepening of connecting channels in the Great Lakes. The city of Waukegan, which recently enjoyed its centennial celebration, is growing rapidly in population, commerce, and industry—involving rapidly expanding use of the harbor. In order to permit the new port district to function properly and effectively, the city of Waukegan has already transferred to it certain properties and lands, including land immediately adjacent to that property previously conveyed to the city by the United States. However, the city could not convey, without this authorization, that land to the port district because of the restriction in the original deed from the United States.

The Committee on Public Works agrees that the transfer of this land, as provided by this present legislation, would be in the interest of good management, inasmuch as otherwise the port district will be deprived of complete control over all of the land and facilities needed in its future operations. Such complete control, in the words of the committee "will facilitate and enhance the use of Waukegan Harbor."

Mr. Speaker, may I point out that the measure carries no cost to the Federal Government; and that it has the approval of the Bureau of the Budget and the Department of the Army.

I express the hope that this measure, H.R. 5738, will be passed unanimously.

(Mrs. CHURCH asked and was given permission to revise and extend her remarks.)

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Army, or his designee, is hereby authorized and directed to (1) accept a conveyance from the city of Waukegan, Illinois, of that property transferred to the city by deed from the Secretary of War dated August 17, 1914, and (2) simultaneously convey said property to the Waukegan Port District without payment of monetary consideration therefor, but subject to those conditions the Secretary deems necessary in the public interest, including the assumption by the port district, its successors and assigns, of the city's obligation under the August 17, 1914, deed to maintain a public wharf on the property described therein: *Provided*, That in the event the property is not used for the aforementioned purpose, title thereto shall, at the option of the Secretary of the Army, revert to the United States of America which shall have the right of immediate entry thereon.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

NARCOTICS MANUFACTURING ACT OF 1960

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 529) to discharge more effectively obligations of the United States under certain conventions and protocols relating to the institution of controls over the manufacture of narcotic drugs, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

Mr. GROSS. Mr. Speaker, reserving the right to object, do I understand that the gentleman has a series of bills, all of them coming out of the Ways and Means Committee unanimously?

Mr. MILLS. Yes; each and every one of them came from the committee unanimously. They were listed in the RECORD a few days ago. The majority leader stated at that time that we would at this time call up a number of bills, and he gave the number, the author, and the purpose of each bill. It developed with respect to one of them at least that there was objection, so that particular bill will not be called up. So far as the others are concerned, we have heard of no objection.

Mr. GROSS. They do not involve any substantial spending?

Mr. MILLS. No. Our committee is not on that side of the ledger. It is on the other side, and our proposals are on the other side.

Mr. HOFFMAN of Michigan. The gentleman's committee is just on the side of additional taxation?

Mr. MILLS. We are trying to do something to reduce taxes.

Mr. HOFFMAN of Michigan. I am sure that would be popular.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Narcotics Manufacturing Act of 1959."

NECESSITY FOR LEGISLATION

SEC. 2. The enactment of this Act is necessary for the following reasons:

(1) The Congress has long recognized that the manufacture, distribution, and use of narcotic drugs for nonmedical and nonscientific purposes endangers the health of the American people and threatens the general welfare. The Congress has enacted laws and the Senate has approved international conventions designed to establish effective control over domestic and international traffic in narcotic drugs.

(2) Until recently, most narcotic drugs were made from natural raw materials such as the opium poppy and the coca leaf, produced in limited areas of the world. In practice, control over the production of narcotic drugs could therefore be achieved by national and international restrictions over the production and shipment of these raw

materials and their use to manufacture narcotic drugs.

(3) In recent years, however, technological advances have resulted in the development of new types of narcotic drugs, produced synthetically from a variety of generally available raw materials. As a result, controls over the production of narcotic drugs can no longer be maintained solely by controls relating to the opium poppy and the coca leaf.

(4) The United States has joined with other nations in executing international conventions intended to establish suitable controls over production, shipment, and use of all narcotic drugs. These conventions are not self-executing, and the obligations of the United States thereunder must be performed pursuant to appropriate legislation.

(5) In order (a) to discharge more effectively the international obligations of the United States, (b) to promote the public health, safety, and welfare, (c) to regulate interstate and foreign commerce in narcotic drugs, and (d) to safeguard the revenue derived from taxation of narcotic drugs, the Congress finds it necessary to enact a statute for the licensing and control of the manufacture of all narcotic drugs.

DEFINITIONS

SEC. 3. For the purposes of this Act—

(a) The term "1931 convention" means the Convention for Limiting the Manufacture and Regulating the Distribution of Narcotic Drugs, concluded at Geneva, July 13, 1931, and entered into force with respect to the United States of America, July 9, 1933, as amended by the protocol signed at Lake Success on December 11, 1946.

(b) The term "1948 protocol" means the protocol bringing under international control drugs outside the scope of the convention of July 13, 1931, for limiting the manufacture and regulating the distribution of narcotic drugs (as amended by the protocol signed at Lake Success on December 11, 1946), signed at Paris, November 19, 1948, and entered into force with respect to the United States of America, September 11, 1950.

(c) The term "Secretary or his delegate" means the Secretary of the Treasury, or any officer, employee, or agency of the Treasury Department duly authorized by the Secretary (directly or indirectly by one or more redelegations of authority) to perform the function mentioned or described in the context.

(d) The term "person" includes an individual, partnership, corporation, association, trust, or other institution or entity.

(e) The term "narcotic drug" means narcotic drug as defined in section 4731(a) of the Internal Revenue Code of 1954, as amended by section 4 of this Act.

(f) The term "manufacture" means the production of a narcotic drug, either directly or indirectly by extraction from substances of vegetable origin, or independently by means of chemical synthesis or by a combination of extraction and chemical synthesis.

(g) The term "basic class of narcotic drug" means any one of the following classes of narcotic drugs and any additional class or classes of narcotic drugs (other than crude opium or coca leaves), by whatever trade name designated, as may be defined from time to time by the Secretary or his delegate in accordance with section 6 of this Act:

1. Opium, powdered, granulated, or deodorized, or tinctures or extracts of opium.
2. Mixed alkaloids of opium and their salts.
3. Morphine and its salts.
4. Codeine and its salts.
5. Thebaine and its salts.
6. Narcotine and its salts.

Public Law 86-342
86th Congress, H. R. 8678
September 21, 1959

AN ACT

To amend the Federal-Aid Highway Acts of 1956 and 1958 to make certain adjustments in the Federal-aid highway program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

**TITLE I—FEDERAL-AID HIGHWAY
PROGRAM**

SECTION 101. SHORT TITLE.

This Act may be cited as the "Federal-Aid Highway Act of 1959".

Federal-Aid
Highway Act
of 1959.

**SEC. 102. REVISION OF AUTHORIZATION OF APPROPRIATIONS FOR
INTERSTATE SYSTEM.**

Subsection (b) of section 108 of the Federal-Aid Highway Act of 1956, as amended, is amended by striking out "the additional sum of \$2,500,000,000 for the fiscal year ending June 30, 1961," and inserting in lieu thereof the following: "the additional sum of \$2,000,000,000 for the fiscal year ending June 30, 1961,".

72 Stat. 94.
23 USC 101 note.

**SEC. 103. EXTENSION OF APPROVAL OF ESTIMATE OF COST OF COM-
PLETING INTERSTATE SYSTEM.**

Section 8 of the Federal-Aid Highway Act of 1958, as amended, is hereby further amended by striking out "the fiscal years ending June 30, 1960, and June 30, 1961." and inserting in lieu thereof "the fiscal years ending June 30, 1960, 1961, and 1962."

72 Stat. 1725.
23 USC 104 note.

SEC. 104. PARKWAYS.

For the purpose of carrying out the provisions of section 4(b) of the Federal-Aid Highway Act of 1958 (72 Stat. 93), there is hereby authorized to be appropriated for the construction, reconstruction, and improvement of parkways, authorized by Acts of Congress, on lands to which title is vested in the United States, the additional sum of \$2,000,000 for the fiscal year ending June 30, 1960.

73 STAT. 611.
73 STAT. 612.

**SEC. 105. NATIONAL SYSTEM OF INTERSTATE AND DEFENSE HIGH-
WAY MILEAGE STUDY FOR ALASKA AND HAWAII.**

The Secretary of Commerce is authorized and directed to make a study of the need for the extension of the National System of Interstate and Defense Highways within the States of Alaska and Hawaii, and report the results of such study to the Congress within ten days subsequent to January 4, 1960. The report shall include recommendations as to the approximate routes and mileages thereof which should be included in such system within those States.

Report to
Congress.

**SEC. 106. EXEMPTION FROM NATIONAL STANDARDS OF CERTAIN
AREAS ADJACENT TO THE INTERSTATE SYSTEM.**

That subsection (b) of title 23, section 131 of the United States Code is amended by striking therefrom the following language: "Upon application of the State, any such agreement may, within the discretion of the Secretary of Commerce consistent with the national policy, provide for excluding from application of the national standards segments of the Interstate System which traverse incorporated municipalities wherein the use of real property adjacent to the Interstate System is subject to municipal regulation or control, or which traverse other areas where the land use is clearly established by State law as industrial or commercial:" and substituting therefor the following language: "Agreements entered into between the Secretary of Com-

72 Stat. 905.

merce and State highway departments under this section shall not apply to those segments of the Interstate System which traverse commercial or industrial zones within the presently existing boundaries of incorporated municipalities wherein the use of real property adjacent to the Interstate System is subject to municipal regulation or control, or which traverse other areas where the land use, as of the date of approval of this Act, is clearly established by State law as industrial or commercial."

SEC. 107. EMERGENCY RELIEF.

72 Stat. 901.

(a) That section 125 of title 23, United States Code, is amended to read as follows:

"§ 125. Emergency relief

"(a) An emergency fund is authorized for expenditure by the Secretary, subject to the provisions of this section and section 120, for the repair or reconstruction of highways, roads, and trails which he shall find have suffered serious damage as the result of disaster over a wide area, such as by floods, hurricanes, tidal waves, earthquakes, severe storms, landslides, or other catastrophes in any part of the United States. The appropriation of such moneys, not to exceed \$30,000,000, as may be necessary for the initial establishment of this fund and for its replenishment on an annual basis is authorized. Pending such appropriation or replenishment the Secretary may expend from any funds heretofore or hereafter appropriated for expenditure in accordance with the provisions of this title, including existing Federal-aid appropriations, such sums as may be necessary for the immediate prosecution of the work herein authorized, such appropriations to be reimbursed from the appropriations herein authorized when made.

73 STAT. 612.

73 STAT. 613.

"(b) The Secretary may expend funds from the emergency fund herein authorized for the repair or reconstruction of highways on the Federal-aid highway systems, including the Interstate System, in accordance with the provisions of this chapter. Except as to highways, roads, and trails mentioned in subsection (c) of this section, no funds shall be so expended unless the Secretary has received an application therefor from the State highway department, and unless an emergency has been declared by the Governor of the State and concurred in by the Secretary.

"(c) The Secretary may expend funds from the emergency fund herein authorized, either independently or in cooperation with any other branch of the Government, State agency, organization, or person, for the repair or reconstruction of forest highways, forest development roads and trails, park roads and trails, and Indian reservation roads, whether or not such highways, roads, or trails are on any of the Federal-aid highway systems."

72 Stat. 899.

(b) Subsection (f) of section 120 of title 23, United States Code, is amended to read as follows:

"(f) The Federal share payable on account of any repair or reconstruction provided for by funds made available under section 125 of this title shall not exceed 50 per centum of the cost thereof, except that the Federal share payable on account of any repair or reconstruction of forest highways, forest development roads and trails, park roads and trails, and Indian reservation roads may amount to 100 per centum of the cost thereof, whether or not such highways, roads, or trails are on any Federal-aid highway system. Any project agreement for which the final voucher has not been approved by the Secretary on or before the date of this Act may be modified to provide for the Federal share authorized herein."

SEC. 108. INCREASE IN AMOUNT AUTHORIZED FOR BRIDGES OVER FEDERAL DAMS.

That subsection (d) of section 320 of title 23, United States Code, 72 Stat. 918. entitled "Highways", is amended by striking out "\$10,000,000" and inserting in lieu thereof "\$13,000,000".

TITLE II—INTERNAL REVENUE CODE AND HIGHWAY TRUST FUND AMENDMENTS

SEC. 201. TEMPORARY INCREASE IN MOTOR FUEL TAXES, ETC.

(a) GASOLINE.—Section 4081 of the Internal Revenue Code of 1954 68A Stat. 483. (relating to imposition of tax on gasoline) is amended by adding at the end thereof the following new subsection: 26 USC 4081.

"(c) TEMPORARY INCREASE IN TAX.—On and after October 1, 1959, and before July 1, 1961, the tax imposed by this section shall be 4 cents a gallon."

(b) DIESEL FUEL AND SPECIAL MOTOR FUELS.—

(1) IMPOSITION OF TAX.—Section 4041 of such Code (relating to imposition of tax on diesel fuel and special motor fuels) is amended by adding at the end thereof the following new subsection: 68A Stat. 478. 26 USC 4041.

"(f) TEMPORARY INCREASES IN TAX.—On and after October 1, 1959, and before July 1, 1961—

"(1) if (without regard to this subsection) the tax imposed by subsection (a) or (b) is 3 cents a gallon, the tax imposed by such subsection shall be 4 cents a gallon, and

73 STAT. 613.

"(2) if (without regard to this subsection) the tax imposed under paragraph (2) of subsection (a) or (b) is 1 cent a gallon, the tax imposed under such paragraph shall be 2 cents a gallon."

73 STAT. 614.

(2) TECHNICAL AMENDMENTS.—The second sentences of subsections (a) and (b) of such section 4041 are each amended by striking out "in lieu of 3 cents a gallon".

70 Stat. 387.

(c) FLOOR STOCKS TAX AND REFUNDS ON GASOLINE.—

(1) TAX.—Section 4226(a) of such Code (relating to floor stocks taxes) is amended by adding at the end thereof the following new paragraph: 70 Stat. 391. 26 USC 4226.

"(5) 1959 TAX ON GASOLINE.—On gasoline subject to tax under section 4081 which, on October 1, 1959, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline."

(2) DATE FOR PAYMENT OF TAX.—Section 4226(d) of such Code (relating to due date of taxes) is amended by inserting before the period at the end thereof the following: "; except that the tax imposed by paragraph (5) shall be paid at such time after December 31, 1959, as may be prescribed by the Secretary or his delegate".

(3) TECHNICAL AMENDMENT.—Section 4226(c) of such Code (relating to definition of dealer, etc.) is amended by striking out "section 6412(a)(3)" and inserting in lieu thereof "section 6412(a)(4)".

(4) REFUNDS.—Section 6412(a) of such Code (relating to floor stocks refunds) is amended by renumbering paragraph (3) as 68A Stat. 795. 26 USC 6412.

paragraph (4) and by inserting after paragraph (2) the following new paragraph:

"(3) GASOLINE HELD ON JULY 1, 1961.—Where before July 1, 1961, any gasoline subject to the tax imposed by section 4081 has been sold by the producer or importer and on such date is held by a dealer and is intended for sale, there shall be credited or refunded (without interest) to the producer or importer an amount equal to the difference between the tax paid by such producer or importer on his sale of the gasoline and the amount of tax made applicable to such gasoline on and after July 1, 1961, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1961, based upon a request submitted to the producer or importer before October 1, 1961, by the dealer who held the gasoline in respect of which the credit or refund is claimed, and, on or before November 10, 1961, reimbursement has been made to such dealer by such producer or importer for the tax reduction on such gasoline or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline."

(d) CREDITS AND REFUNDS.—

72 Stat. 1306.
26 USC 6416.

(1) TAX PAYMENTS CONSIDERED OVERPAYMENTS.—Section 6416(b) (2) of such Code (relating to special cases in which tax payments are considered overpayments) is amended—

(A) by striking out "at the rate of 3 cents a gallon" each place it appears in subparagraphs (H), (I), and (J) and inserting in lieu thereof "at the rate of 3 cents or 4 cents a gallon";

73 STAT. 614.
73 STAT. 615.

(B) by striking out "1 cent for each gallon" in subparagraph (H) and inserting in lieu thereof "1 cent (where tax was paid at the 3-cent rate) or 2 cents (where tax was paid at the 4-cent rate) for each gallon"; and

(C) by striking out "at the rate of 1 cent a gallon;" at the end of subparagraphs (I) and (J) and inserting in lieu thereof the following: "at the rate of 1 cent a gallon where tax was paid at the 3-cent rate or at the rate of 2 cents a gallon where tax was paid at the 4-cent rate;"

(2) GASOLINE USED FOR CERTAIN NONHIGHWAY PURPOSES OR BY LOCAL TRANSIT SYSTEMS.—Subsections (a) and (b) (1) (A) of section 6421 of such Code (relating to gasoline used for certain non-highway purposes or by local transit systems) are each amended by striking out "1 cent for each gallon of gasoline so used" and inserting in lieu thereof "1 cent for each gallon of gasoline so used on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon".

70 Stat. 394.

(e) COLLECTION OF GASOLINE TAX AT WHOLESALE DISTRIBUTOR LEVEL.—

68A Stat. 483.
26 USC 4082.

(1) TREATMENT OF WHOLESALE DISTRIBUTOR AS PRODUCER.—The first sentence of section 4082(a) of the Internal Revenue Code of 1954 (relating to definition of "producer" for purposes of tax on gasoline) is amended to read as follows: "As used in this subpart, the term 'producer' includes a refiner, compounder, blender, or wholesale distributor, and a dealer selling gasoline exclusively to producers of gasoline, as well as a producer."

(2) WHOLESALE DISTRIBUTOR DEFINED.—Section 4082 of such Code is amended by adding at the end thereof the following new subsection:

“(d) **WHOLESALE DISTRIBUTOR.**—As used in subsection (a), the term ‘wholesale distributor’ includes any person who—

“(1) sells gasoline to producers, to retailers, or to users who purchase in bulk quantities for delivery into bulk storage tanks, and

“(2) elects to register and give a bond with respect to the tax imposed by section 4081.

Such term does not include any person who (excluding the term ‘wholesale distributor’ from subsection (a)) is a producer or importer.”

(3) **EFFECTIVE DATE.**—The amendments made by paragraphs (1) and (2) shall take effect on January 1, 1960.

SEC. 202. TRANSFERS TO HIGHWAY TRUST FUND.

(a) **TRANSFER.**—Section 209(c) of the Highway Revenue Act of 1956 (relating to transfer to Highway Trust Fund of amounts equivalent to certain taxes) is amended by renumbering paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

70 Stat. 397.
23 USC 120
note.

“(2) **EXCISE TAX ON AUTOMOBILES, PARTS AND ACCESSORIES, ETC.**—

There is hereby appropriated to the Trust Fund, out of money in the Treasury not otherwise appropriated, amounts equivalent to that portion of the taxes received in the Treasury after June 30, 1961, and before July 1, 1964, under subsection (a) (2) (tax on passenger automobiles, etc.) and (b) (tax on parts and accessories) of section 4061 of the Internal Revenue Code of 1954 which is equal to the amount which would have been so received if the tax rate under each such subsection had been 5 percent in lieu of the applicable rate.”

68A Stat. 481.
26 USC 4061.

(b) **CONFORMING AMENDMENTS.**—

73 STAT. 615.
73 STAT. 616.

(1) **CLERICAL AMENDMENT.**—Paragraph (4) (as renumbered by subsection (a)) of such section 209(c) is amended by striking out “paragraphs (1) and (2)” each place it appears and inserting in lieu thereof “paragraphs (1), (2), and (3)”.

(2) **FLOOR STOCKS REFUNDS.**—Section 209(f) of the Highway Revenue Act of 1956 (relating to expenditures from Highway Trust Fund) is amended—

70 Stat. 399.
23 USC 120
note.

(A) by striking out the heading to paragraph (4) and inserting in lieu thereof the following:

“(4) 1972 FLOOR STOCKS REFUNDS.—”; and

(B) by adding at the end thereof the following new paragraph:

“(5) 1961 FLOOR STOCKS REFUNDS ON GASOLINE.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the floor stocks refunds made before July 1, 1962, under section 6412(a) (3).”

68A Stat. 795.
26 USC 6412.

Approved September 21, 1959.

September 21, 1959

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I have today approved H. R. 8678, the Federal-Aid Highway Act of 1959. In my budget message submitted to the Congress on January 19, 1959, I proposed a 1-1/2 cent increase in highway fuel taxes for the purpose of keeping the Federal-aid highway program on schedule and continuing the self-sustaining features of the program established in 1956. Although the bill does not meet these objectives, I have approved it in order to avoid a serious disruption of the highway program with its attendant adverse effects on State finances, highway contractors and workers, and the economy generally.

Because the bill does not provide the level of revenues required for continuing the highway program on the schedule contemplated under existing authorizations, it will be necessary to make orderly use of these authorizations so that spending can be held within limits that will avoid future disruption of the program. This action will be required if the Federal Government is to meet promptly its obligations to the States and at the same time adhere to the self-financing principle upon which the highway program has been established. Of necessity, such actions may lead to some deferment or delay in the completion of the Interstate System as originally contemplated.

In this connection, at my direction there has been underway since July a comprehensive review of the interstate program's current policies, practices, methods and standards -- including an examination of the relative Federal, State, and local responsibilities for planning, financing, and supervising the program. This study is being conducted by the Special Assistant to the President for Public Works Planning, General John S. Bragdon, in collaboration with the Secretary of Commerce and the Director of the Bureau of the Budget. If actions are needed to insure that our national objectives are being achieved at minimum Federal cost on a pay-as-you-go basis, it is expected that the necessary recommendations will be developed by this study.

